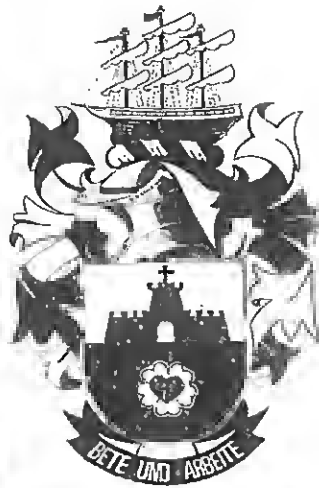


2009/2010

Annual Report



UMSHWATHI MUNICIPALITY

uMshwathi Municipality Private Bag X29 Watburg 3233
Main Road New Hanover 3440
Telephone 033 502 0280 / 502 0282 Fax: 033 502 0286

uMshwathi Municipality

New Hanover Main Road ,
Opposite Police Station
3233

Private Bag x 29
Wartburg
3233

Co-ordinates

LATITUDE 29°21'13.86"S
LONGITUDE 30°31'37.05"E

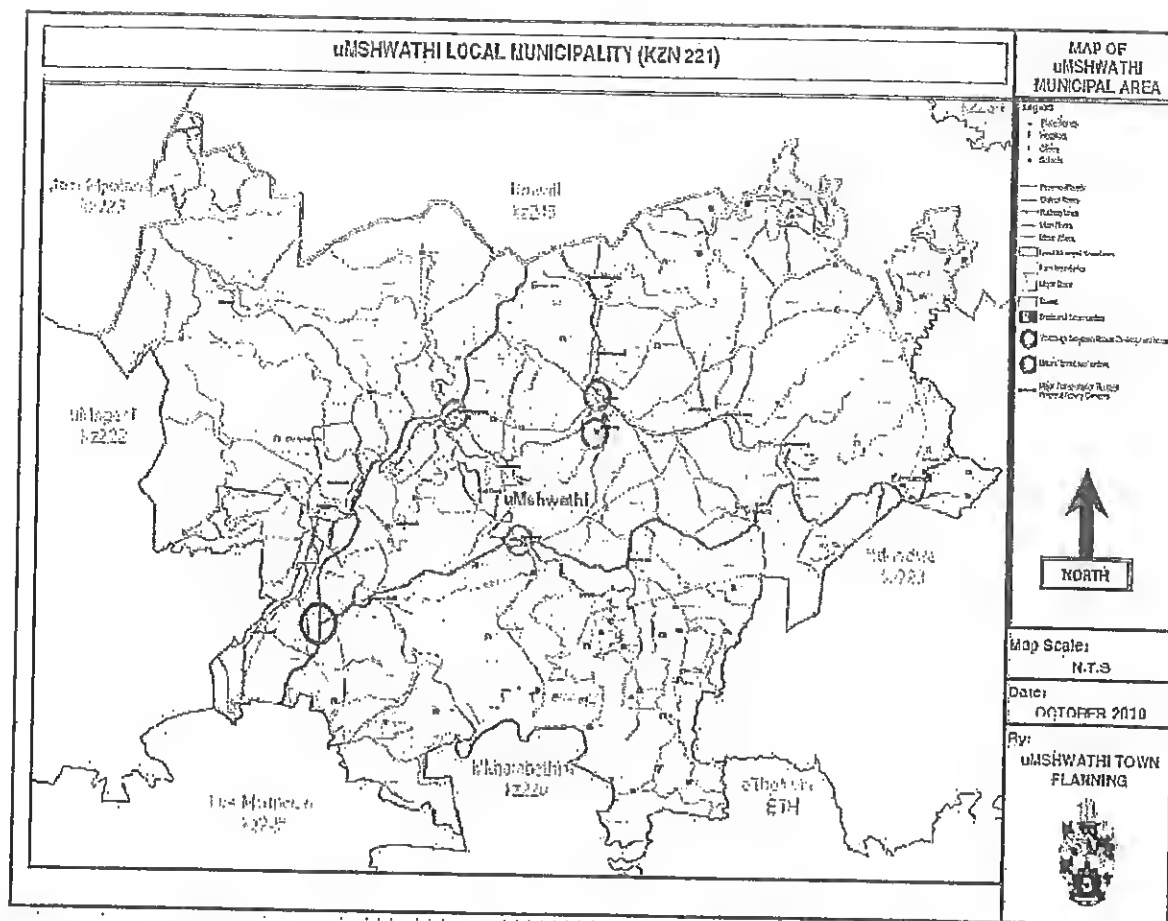
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LOCALITY MAP AND STATISTICS



| HOUSEHOLDS | | | | | | |
|--------------|---------------|--------------|---------------|--------------|-----------|---------------|
| Wards | Formal | Informal | Traditional | Backyard | Other | Total |
| 1 | 2,416 | 78 | 753 | 150 | 4 | 3,401 |
| 2 | 1,118 | 120 | 88 | 59 | 13 | 1,398 |
| 3 | 548 | 36 | 1,586 | 9 | 7 | 2,186 |
| 4 | 953 | 35 | 1,114 | 150 | 9 | 2,261 |
| 5 | 820 | 16 | 871 | 91 | 1 | 1,799 |
| 6 | 490 | 13 | 1,227 | 23 | 3 | 1,756 |
| 7 | 1,740 | 144 | 193 | 113 | 33 | 2,223 |
| 8 | 1,430 | 35 | 1,246 | 63 | 3 | 2,777 |
| 9 | 354 | 594 | 786 | 119 | 1 | 1,854 |
| 10 | 1,143 | 62 | 1,197 | 194 | 1 | 2,597 |
| 11 | 320 | 26 | 975 | 256 | 2 | 1,579 |
| Total | 11,331 | 1,159 | 10,036 | 1,228 | 77 | 23,831 |

Chapter 1

Introduction and Overview

This Annual Report of uMshwathi Local Municipality, specific to the financial year July 2009 – June 2010, provides inter alia, an overview of the key deliverables and outputs of the Departments within the Municipality as well as the annual financial statements which were submitted to the Auditor-General for audit purposes. This report is in line with Chapter 12 of the Municipal Finance Management Act No. 56 of 2003, which deals specifically with “*Financial Reporting and Monitoring*”. Of importance in the preparation of the annual report, is clause 121(2) which outlines the purpose of the report whilst sub-clauses 121(2) (a), (b) and (c), as detailed below, underpin the report preparation:-

- *“To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates,*
- *To provide a report on performance against the budget of the municipality or municipal entity for that financial year, and*
- *To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity”.*

Bearing in mind that limited financial and other resources are common across municipalities in South Africa, uMshwathi has endeavoured to service the needs of its people within such circumstances while at the same time, ensuring that its financials were not undermined in any way. Hence, the period 2009/10 resulted in uMshwathi Municipality receiving for a third consecutive year, an Unqualified Report from the Auditor-General regarding the management of the Municipality’s finances. The recommendations and advisory comments attached to the Auditor-General’s opinion, are being implemented.

There is no doubt that without the visionary political leadership and administrative capability within uMshwathi Municipality, the results mentioned above, would have been otherwise. Hence, a great deal of appreciation and thanks is extended to all concerned for the co-ordinated effort to meet the Municipality’s challenges and adhering to all legislative requisites on the Municipality.

Submission and tabling of the Annual Report for the 2009/2010 financial year

This annual report has been prepared in terms of Chapter 12, section 127 of the Local Government Municipal Finance Management Act no. 56 of 2003, as amended, for submission and approval by the Council.

Legislative mandate

The primary legislative mandate of the municipality is determined by Chapter 7, section 151 (2) of the constitution of the Republic of South Africa, which states that:-

The municipality must strive within its administrative and financial capacity to meet its local government objectives of:

- Providing democratic and accountable government for local communities,
- Ensuring sustainable provision of services to communities,
- Promoting a safe and healthy environment and,
- Encouraging communities to become involved in local government matters.

The constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to;

- Prioritize the basic needs of the communities,
- Promote the social and economic development and
- Participate in national and provincial development programmes.

These constitutional mandates are also re-enforced by section 73 (1) of the Local Government: Municipal Systems Act no. 117 of 1998, as amended.

The constitution is further supported by the following Acts which were created solely for the benefit of and furtherance of the municipality's constitutional mandate;

- Municipal Structures Act No. 117 of 1998,
- Municipal Systems Act No. 32 of 2000,
- Municipal Finance Management Act No. 56 2003,
- Municipal Property Rates Act No. 6 of 2004,
- Development Facilitation Act
- Division of Revenue Act

| | | |
|----------|---|---|
| Acronyms | | |
| AG | : | Auditor General |
| MM | : | Municipal Manager |
| CFO | : | Chief Financial Officer |
| DFA | : | Development Facilitation Act |
| EXCO | : | Executive Committee |
| GM | : | General Manager |
| IDP | : | Integrated Development Plan |
| MFMA | : | Municipal Finance Management Act |
| MANCO | : | Management Committee |
| SCM | : | Supply Chain Management |
| SDBIP | : | Service Delivery Budget Implementation Plan |
| IGR | : | Inter Governmental Relations |
| PMS | : | Performance Management System |

Foreword by the Mayor

Mr Speaker, Members of EXCO, Members of Council, Officials, Ladies and Gentlemen.

The 2009/2010 financial year marks the second but last year before the expiration of the current Council's mandate to govern the affairs of the people of uMshwathi Municipality. We cannot but be proud and grateful to our people for the honor bestowed on us to lead this municipality to where it is today as we prepare to pass the baton to the new leadership that will be given a mandate to continue with the very important task of service delivery from whence we shall have left it.

Notwithstanding the challenges which inhibited our pace and strength to deliver more and ensure better life for all our people, this Council prides itself in that some critical service delivery milestones were achieved during the year in question. In this regard, communities who previously did not have community halls, crèches, proper roads and tarred roads had these infrastructure built for them by the municipality. Free basic electricity was extended to more qualifying households and for the first time, we were able to commence with electrification of Thokozane location in Ward 1. The project was funded by the municipality from its revenue as there was no immediate positive response from government agencies that are entrusted with this responsibility in terms of powers and functions.

Regrettably, the processes involved in housing projects are long and protracted as there are strenuous legal requirements that have to be complied with before houses are built on the ground. In this regard, the rural housing projects of Mhlambandlovu, Trust Feed, Efaye, Masihambisane and Swayimane are nearing Stage 1 completion and this will lead to Stage 2 which forms part of the construction phase.

The Thokozane housing project is beset with many defects and this has been reported to the Department of Human Settlements. The matter is now being dealt with by management in collaboration with the officials from the department. It is the view of this Council that the poor workmanship of the houses in Thokozane is to be fully investigated so that whoever is responsible is made to account as we cannot afford to let our people receive this kind of service.

Cllr. B.M. Gwala
Mayor

Foreword by the Municipal Manager

In keeping with the legal framework within which local government operates, municipalities are required to compile an annual report which serves as a report back mechanism undertaken on a particular financial year. In this regard, this foreword lays a foundation for the exposé of uMshwathi Municipality's service delivery operations for the 2009/2010 financial year.

Of note during the financial year in question, is the fact that the whole world was beset with the global financial meltdown which started to subside during the latter part of the financial year. This situation placed many institutions, government and private, under intense pressure as disposable income shrank massively and impacted negatively on all business operations. uMshwathi Municipality was no exception.

The uMshwathi Municipality, being a vastly rural municipality, depends on government grants as well as on very limited rates base in order to meet its constitutional mandate for delivering basic services to its populace. The increasing unemployment as well as the inability of the employed to honor their financial commitments to the municipality as a result of the effects of the global economic meltdown meant even lesser income was available to meet service delivery needs of the people of uMshwathi.

Notwithstanding the financial challenges enunciated above, the municipality made some significant strides in ensuring that service delivery continued and this was achieved through good co-operation between internal and external stakeholders. In this regard, the municipality's sincere gratitude goes to all residents of the municipality for their co-operation and understanding during this difficult period. The ratepayers as well as the farmers within our area of jurisdiction deserve huge acknowledgement for their continued support and constructive and robust engagements during a series of meetings held. Management and staff played a pivotal role in ensuring that the municipality moved forward while the political leadership continued playing its legal and constitutional mandate. No word of gratitude can fully explain the commitment and dedication of all councillors and staff who kept the ship afloat during the financial year in question.

Mr M.V Cebekhulu
Municipal Manager

Overview of the Municipality

SPATIAL LOCATION AND DEMOGRAPHICS

uMshwathi is one of seven local municipalities within uMgungundlovu District and is ideally situated adjacent to Pietermaritzburg the Capital city of KwaZulu-Natal Province. uMshwathi Municipality covers a ground area of about 1 811 square kilometres with a total population of 113,054 residing in 23831 households as detailed in table 1 above (source Stats SA 2006 community survey). The municipality is the second largest in the district in terms of the population after Msunduzi Municipality.

The jurisdiction area of the municipality comprises of eleven Wards which are predominantly located in agricultural landscape used mostly for growing timber and sugar-cane. The balance of the area is used for rural-residential settlements with three semi-urban economic hubs, namely Dalton New Hanover and Wartburg.

EDUCATIONAL LEVELS AND EMPLOYMENT STATUS

A major proportion of the population of uMshwathi Municipality aged above 20 years has absolutely no schooling. This accounts for 29, 2 percent of out of a total of 55 993. This is compounded by the fact that 27, 9 percent has just attained some primary education. What this reveals is that literacy levels of the population are low and require strategic intervention in future. The other worrying point is that only 3, 2 percent has attained a level of education above standard 10 or Grade 12. This has serious implications in terms of the overall skills profile of the area. (Statistics SA Community Survey 2006).

Of the total of 35 530 economically active segments of the population, 43, 7 percent were classified as unemployed. This is a serious social challenge when consideration is taken of the reality that 66, 6 percent of households were said to earn between 0 – R800 per month and therefore, considered poor as they were living below poverty datum line.

Stats SA Community Survey (2006) also revealed that of the total of 35 530 economically active population 43.7% were classified as unemployed. The levels of education have been

determined as low reflecting limited access to employment opportunities. 66% of the households earn between R0-R800 and therefore live below the poverty line. This correlates with the low wages in the agricultural sector. The agricultural sector is the main employer in the municipality employing 55% of the economically active population. As of March 2006 the minimum wage in the agricultural sector is R885.00. Low incomes, insecure jobs, high dependency ratios and unemployment rates mean that many people in need of housing in uMshwathi depend largely on the housing subsidy to meet their housing needs.

The seven strategic priorities of our municipality are

- Community participation
- Good governance
- HIV/Aids
- Local economic development and job creation
- Poverty alleviation
- Safety and security
- Housing development

Vision

“uMshwathi Owethu – Lets Build Together”.

Mission

“Provider of Municipal services for better quality of life for all”

The operation of our municipality is bolstered by resolute adherence to the following values and principles to ensure sustainable services delivery to the community:

Values

In all its activities, uMshwathi Municipality strives to make the “Batho Pele principles” a living reality by

- Caring and putting people at the centre stage of all development processes;
- Being democratic, open and transparent;

- Adhering to high standards of integrity and morality;
- Supporting anti-corruption drive
- Constantly improving its business processes in pursuit of excellence and best practice; and
- Supporting development of staff and councillors as a necessary condition for strengthening local governance.

ECONOMIC PROFILE

Economy

The uMshwathi Municipality has in the last three years identified a number of lead projects aimed at turning around the economy of uMshwathi. Amongst these projects are the rehabilitation and development of the towns in the Municipality, middle to high-income housing projects as well as the development of a road corridor linking the N2 and N3 and traversing uMshwathi Municipality. The possibility of developing new economic nodes in the Municipality is also being considered.

Further objectives relating to a broadening of the Municipality's economic base involve identifying and supporting alternative economic ventures. The strategies adopted are developing investment opportunities, building on tourism initiatives and helping small and medium-sized local enterprises to succeed.

Development Objectives

A key development objective is the focused implementation of land reform, so as to develop a vigorous farming sector in the Municipality. Strategies include finding means of helping poverty-stricken families to sustain themselves through farming; improving security of tenure in rural communities; and providing greater access to commercial agriculture to previously disadvantaged people. The key economic sectors of the municipality are now being outlined below.

Agriculture

The importance of the agricultural belt in uMshwathi cannot be overemphasized. Sugar Cane is the predominant agricultural pursuit, with some 250 farmers and two mills processing around two million tons of cane annually. Further export initiatives have seen this 'staple' expand to include avocado pears and kiwi- fruit.

Manufacturing

Manufacturing activities are mainly related to agricultural processing activities, notably sugar and timber processing activities, and to a lesser extent processing and manufacturing of food.

Tourism

Within the uMshwathi municipality area there is a number of tourism outlets, a hotel with a German bias and history, coffee shops, craft outlets, inns, guest houses and B&B establishments in and around the village centres, including wedding and function facilities. The nearby settlement of New Hanover boasts one of our province's oldest schools and one of very few to be proclaimed a National Monument. Beyond New Hanover, some 100-kilometres of inter-linked trails with overnight huts have been developed into the singular experience of Blinkwater Trails by co- operation between conservation bodies and the timber industry. There is much of both historic and botanical interest on the plateau, with hikers skirting waterfalls and lakes while traversing scenic grasslands and indigenous forest.

Leadership (Council and Executive)

The function of Council and Executive Committee (EXCO) within the municipality is to govern and oversee the implementation of its constitutional and legislative mandates. The EXCO and its operational committee's receive reports from management and deal with operational matters in terms of their delegated powers and report to Council.

The council consists of 22 Councillors. Council meetings are held every two months to receive and consider reports from EXCO and to deal with matters entrusted to it by the Constitution of the Republic of South Africa.

EXCO meetings are normally held monthly and committee's constituted by it meet in terms of arrangements determined by EXCO. Senior Management (Municipal Manager and the General Managers) attend all Council meetings and those of its Committees to provide advice and guidance in order to ensure that proper and informed decisions are taken.

COMMITTEES

| Full Council | Seat type | Party |
|-----------------------|-----------|-------|
| B M Gwala ~Mayor | Ward11 | ANC |
| S S Zondi ~Dep. Mayor | PR | ANC |
| G S Maseko ~Speaker | Ward 4 | ANC |
| M P Dlamini | Ward 1 | ANC |
| N P Nene | Ward 2 | ANC |
| B E Mbatha | Ward 3 | ANC |
| X F Maphumulo | Ward 5 | ANC |
| A T Thusi | Ward 6 | ANC |
| R Mungroo | Ward 7 | ANC |
| M J Mkhize | Ward 8 | ANC |
| M Goba | Ward 9 | ANC |
| M M Nkala | Ward 10 | ANC |
| C B Khonney | PR | ANC |
| D A Ndlela | PR | ANC |
| A G Solomon | PR | ACDP |
| E W Eggers | PR | DA |
| T A Hlatshwayo | PR | DA |
| V M Mncwabe | PR | IFP |
| T I Gabela | PR | IFP |
| S.C Gabela | PR | IFP |
| T P Phakathi | PR | IFP |
| V I Gumede | PR | IFP |

SUB-COMMITTEES

EXECUTIVE COMMITTEE (EXCO)

- Councillor B.M. Gwala (Chairperson)
- Councillor S.S Zondi
- Councillor M.J Mkhize
- Councillor T.I Gabela

FINANCE COMMITTEE

- Councillor B.M. Gwala (Chairperson)
- Councillor E.W. Eggers
- Councillor V.M. Mncwabe
- Councillor C. B khonney

HUMAN RESOURCES AND SOUND GOVERNANCE COMMITTEE

- Councillor S.S. Zondi (Chairperson)
- Councillor M. Goba
- Councillor I.V. Gumede
- Councillor M M Nkala

INFRASTRUCTURE AND COMMUNITY SERVICES COMMITTEE

- Councillor M.J. Mkhize (Chairperson)
- Councillor R. Mungroo
- Councillor T.A. Hlatshwayo
- Councillor S.C. Gabela
- Councillor A T Thusi
- Councillor B E Mbatha

ECONOMIC DEVELOPMENT AND PLANNING COMMITTEE

- Councillor T.I. Gabela (Chairperson)
- Councillor A.G. Solomon
- Councillor D.A. Ndlela

- Councillor N.P. Nene
- Councillor M P Dlamini
- Councillor X F Maphumulo

AUDIT COMMITTEE

The audit committee comprises of four independent members of society. The committee acts in accordance with written terms of reference as confirmed by the Council, which sets out its authority and duties. The primary mandate of the committee is to evaluate the municipality's systems of internal controls, to review accounting policies and financial information to be issued to the public, to review the effectiveness of the performance management system. The committee reviews the financial statements before they are submitted to council and discusses these results with the external auditors. The council approves the results based on the recommendations of the audit committee. The Municipal Manager and the Chief Financial Officer attend meetings of the committee as invitees when required.

- Ms L Robertson (Chairperson)
- Prof Stobie
- D. Mncwabe
- M. Ngcobo

The Municipality is still working on the possibility of employing an HR Specialist the Audit Committee in its expanded role of Performance Monitoring as approved by Council.

Chapter 2

Administration

The following table indicates the functional breakdown of the various departments within the municipality.

| Department | Function |
|--------------------|--|
| Municipal Manager | <ul style="list-style-type: none">◦ Economic Growth and Development◦ Internal Audit◦ Integrated Development Plan◦ Communication and◦ Town Planning |
| Corporate Services | <ul style="list-style-type: none">◦ Human Resources◦ Record Management◦ Administration Support◦ Committee Support And◦ Information, Communication And Technology |
| Community Services | Traffic Motor Licensing Bureau Cemetery Management Youth Affairs, Health Care Housing and Disaster Management |
| Financial Services | <ul style="list-style-type: none">◦ Budgeting◦ Revenue◦ Expenditure◦ Valuation◦ Supply Chain Management |
| Technical Services | <ul style="list-style-type: none">◦ Refuse collection◦ Roads◦ Infrastructure◦ Operations and maintenance |

Good Governance and Public Participation

| COUNCIL MEETINGS HELD FOR THE PERIOD JULY 2009 – JUNE 2010 | | | | | | |
|--|-------------------------------------|---|--------------------|--|------------------------------------|--------------------------|
| COUNCIL | EXCO (and joint finance & HR) | FINANCE (and joint Infrastructure) | HUMAN RESOURCES | ECONOMIC DEVELOPMEN T & PLANNING | INFRASTRUCTR URE & COMMUNITY | LOCAL LABOUR FORUM |
| 28-08-2009 | 15-07-2009 | 14-07-2009 | 07-07-2009 | 14-07-2009 | 21-07-2009 | 26-08-2009 |
| 09-12-2009 | 29-07-2009 | 30-09-2009 | 26-08-2009 | 07-10-2009 | 04-09-2009 | 11-11-2009 |
| 23-12-2009 | 12-08-2009 | 15-03-2010 | 30-10-2009 | 16-02-2010 | 20-10-2009 | 28-05-2010 |
| 29-01-2010 | 27-08-2009 | | 06-11-2009 | 15-06-2010 | 25-11-2009 | 25-06-2010 |
| 26-03-2010 | 16-09-2009 | | 13-05-2010 | | 10-02-2010 | |
| 30-04-2010 | 01-10-2009 | | 21-06-2010 | | 25-03-2010 | |
| 28-05-2010 | 03-11-2009 | | | | 09-06-2010 | |
| 30-06-2010 | 26-11-2009 | | | | 23-06-2010 | |
| | 03-12-2009 | | | | | |
| | 18-03-2010 | | | | | |
| | 25-03-2010 | | | | | |
| | 19-04-2010 | | | | | |
| | 25-05-2010 | | | | | |
| TOTAL NO. OF MEETINGS PER COMMITTEE | | | | | | |
| 8 | 13 | 3 | 6 | 4 | 8 | 4 |

Public Participation

Public participation plays a pivotal role in services delivery and is one of the key sound governance principles. UMshwathi Municipality has had a number of regular engagements with local communities through their ward committees to ensure that their inputs were taken into consideration in the formulation of the municipality's programs and plans such as the IDP.

The municipality deploys all means available at its disposal to enhance a broader community participation in its activities and programs including service delivery. The following are some of the modes of communication that were utilized during the reporting period:

- Community structures (ward committees)
- Print Media (newspapers and various other publications)
- Radio station

- The Municipal website which is constantly updated
- Public gatherings like Izimbizo

| Structure / Publication | Stakeholders | Objections/ Functions | Frequency |
|-----------------------------------|--|--|-------------|
| Ward Committee Meetings | <ul style="list-style-type: none"> ◦ Ward councilors (Chairpersons) ◦ Ward committee members (Elected from the community) ◦ Community ◦ Senior management ◦ personnel of municipality | <ul style="list-style-type: none"> ◦ Informing the community of council decisions, municipal activities etc. ◦ Community informing ward councilor / municipality of their concerns. | Quarterly |
| Public meetings/ Izimbizo | <ul style="list-style-type: none"> ◦ Mayor and councilors ◦ Community ◦ Senior management ◦ personnel of municipality | <ul style="list-style-type: none"> ◦ Informing the community of council decisions, community rights and duties, municipal affairs etc. ◦ Community informing Councilors and officials of their issues. | Annual |
| Council meetings (open to public) | <ul style="list-style-type: none"> ◦ Mayor and councilors ◦ Senior management ◦ Personnel of municipality | <ul style="list-style-type: none"> ◦ To formulate policy decisions ◦ Exercise oversight role ◦ Consider community contributions | Quarterly |
| IDP and budget Engagements | <ul style="list-style-type: none"> ◦ Mayor and councilors ◦ Community ◦ Senior management ◦ Personnel of municipality | <ul style="list-style-type: none"> ◦ Obtaining community input on the content of IDP and proposals ◦ Informing the community of IDP and budget related matters | Annual |
| Notices | <ul style="list-style-type: none"> ◦ Community ◦ Personnel of municipality | <ul style="list-style-type: none"> ◦ Informing the general public and personnel on municipal matters | As required |

The uMshwathi Municipality also participates actively in the following IGR structures:

- Municipal Managers' Forum : (Municipal manager)
- District Waste Management Forum : (GM Technical Services)
- District Technical Cluster : (GM Technical Services)
- CFO's forum : Chief Financial Officer)

Chapter 3

Human Resources and Organisational Management

The human resources section is responsible for formulating objectives, practices, and policies to meet both short-term and long-term objectives, needs and opportunities, to guide and lead the change process; and to evaluate Human Resources contributions to municipality's effectiveness in services delivery.

The following are the key functional areas for Human Resources:

- Labour relations
- Compensation and benefits

- Training and development
- Strategic management
- Workforce planning/employment, and
- Occupational health and safety.
- Employee Assistance Program (EAP)
- Employment equity
- *Custodian?* of human resource policies Registry?

Staff Complement

| Department | 2010/2009 | 2009/2008 |
|--------------------|------------|------------|
| Municipal Manager | 11 | 11 |
| Community services | 35 | 28 |
| Corporate services | 20 | 16 |
| Technical services | 73 | 68 |
| Financial services | 14 | 14 |
| Total | 153 | 137 |

Chapter 4

Performance Highlights

This chapter gives account of the municipality's performance against priorities that were set on its IDP with a special focus to basic service delivery to address current needs as well as backlogs. It gives account of the municipality's spending on capital projects, the role as well as highlights on spending priorities for the following year.

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

FINANCIAL YEAR ENDED: 30 JUNE 2010

NAME OF MUNICIPALITY: uMshwathi Municipality

| Priority Area | Municipal KPI | No. | Indicators | Unit of Measurement/Calculation | Annual | | | Backlog | Target | Progress Achieved | Blockages | Corrective Measures | Support needed in terms of unbudgeting | Source of Information |
|---|----------------------------------|-------|--|---|----------|--------------------|--------|-----------|---------|--|---|--|--|-----------------------|
| | | | | | Demanded | Baseline | Actual | | | | | | | |
| Access to Basic (or higher) Water | | 1 | Number of Households with access to basic (or higher) levels of water | No. of Households | 22110 | 14208 | 7902 | 4000 | 3656 | Insufficient funding | UMDM has engaged Ugcet Water for the new bulk water supply pipeline from Pilsburg to Dallon | Increased funding allocation for UMDM from MIG. | UMDM IDP document and uMshwathi Municipality's Turn Around Strategy document | |
| | Access to Free Basic Water | 2 | Number of households with access to free basic water | No. of Households | UMDM | UMDM | UMDM | 3000 | 2600 | Community members not registering | Councillors to assist in getting qualifying community members to register | None | uMshwathi Municipality's Turn Around Strategy document | |
| Access to Basic (or higher) Sanitation | | 3 | Number of Households with access to basic (or higher) levels of sanitation | No. of Households | 22110 | UMDM | 6944 | UMDM | UMDM | Insufficient funding | UMDM has embarked on extensive sourcing of funding from external donors. | Increased funding allocation for UMDM from MIG. | uMshwathi Municipality's Turn Around Strategy document | |
| | Access to Free Basic Sanitation | 4 | Number of households with access to free basic sanitation | No. of Households | UMDM | UMDM | UMDM | UMDM | UMDM | N/A | N/A | N/A | N/A | |
| Access to Basic (or higher) Electricity | | 5 | Number of Households with access to basic (or higher) levels of electricity | No. of Households | 22110 | 13485 | 8625 | ESKOM | ESKOM | Insufficient funding & insufficient capacity | More engagements with the DOE and ESKOM funding allocation | None | uMshwathi Municipality's Turn Around Strategy document | |
| | Access to Free Basic Electricity | 6 | Number of households with access to free basic electricity | No. of Households | 8000 | 2400 | 6000 | 3000 | 2000 | Community members not registering | Councillors to assist in getting qualifying community members to register | None | uMshwathi Municipality's Turn Around Strategy document | |
| Access to Basic (or higher) Refuse (Removal) and Solid Waste disposal | | 7 | Number of Households with access to basic (or higher) refuse removal | No. of Households | 22110 | 3800 | 18310 | All Areas | Limited | Insufficient funding provision in O&M budget | Allocates more budget for operations | Request allocation of subsidy from other govt departments | uMshwathi Municipality's Turn Around Strategy document | |
| | Access to municipal roads | 8 | Kilometers of new municipal roads constructed | Kilometers | N/A | N/A | N/A | N/A | 11.5 | Insufficient funding | Increase MIG funding | More funding allocation | Tender documentation | |
| Access to municipal roads | | 8 (a) | Kilometers of municipal roads maintained | Kilometers | N/A | N/A | N/A | N/A | 12 | Insufficient budget allocated for O&M | Allocates more budget for maintenance | Request allocation of subsidy from other government agencies | Tender documentation | |
| | Human Settlements | 9 | No. of new houses constructed | No. of Households | 2500 | 5 stage 1 projects | 6000 | 0 | 0 | Delays in land acquisition | Resolve land ownership problems | CoGTA's speedy engagement with | uMshwathi Municipality's Turn Around Strategy document | |
| Formalisation of informal settlements | | 10 | No. of households in informal settlements provided with water | No. of Households | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| | | 11 | No. of households in informal settlements provided with Sanitation | No. of Households | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| Disaster Management | | 12 | No. of households in informal settlements provided with Electricity | No. of Households | ESKOM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| | | 13 | Number of disasters prevented, mitigated and preparedness | No. of Disasters | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| Repairs and maintenance | | 14 | Number of disasters prevented, mitigated and preparedness | No. of Disasters | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| | | 15 | % Preparedness | % Preparedness | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| | | 16 | Service delivery interruptions per type of service (time per quarter) and no. of households affected | No. of interruptions | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| | | 17 | Quarterly collection ratio on billings | % Collection ratio (Total receipts for services/ Total billings for services) | N/A | N/A | N/A | N/A | 90 | 75 | The culture of non-payment | Applied stricter debt collection measures | Assistance from CoGTA in resolving the issue of Govt Dept's debt | |

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
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NAME OF MUNICIPALITY: uMshwathi Municipality

FINANCIAL YEAR ENDED: 30 JUNE 2010

| Priority Area | National KPA | No. | Indicators | Unit of Measurement | Annual Demand | Annual Baseline | Backlog | Target | Annual Progress Achieved | Blockages | Corrective Measures | Support needed in terms of unbudgeting | Source of Information |
|---|---|-------|--|--|---------------|-----------------|---------|-----------|--------------------------|--|--|--|---|
| Access to Basic (or higher) Water | | 1 | Number of Households with access to basic (or higher) levels of water | No. of Households | 22110 | 14208 | 7902 | 4000 | 3655 | Insufficient funding | UMDM has engaged Umponi Water to implement a new bulk water supply pipeline from PMSburg to Dullien. | Increased funding allocation for UMDM from MIG. | UMDM DP document and uMshwathi Municipality's Turn Around Strategy document |
| Access to Free Basic Water | | 2 | Number of households with access to free basic water | No. of Households | UMDM | UMDM | UMDM | 3000 | 2500 | Community members not registering | Councillors to assist in getting qualifying community members to register | None | uMshwathi Municipality's Turn Around Strategy document |
| Access to Basic (or higher) Sanitation | | 3 | Number of Households with access to basic (or higher) levels of sanitation | No. of Households | 22110 | UMDM | 5944 | UMDM | UMDM | Insufficient funding | UMDM has embarked on extensive sourcing of funding from external donors. | Increased funding allocation for UMDM from MIG. | uMshwathi Municipality's Turn Around Strategy document |
| Access to Free Basic Sanitation | | 4 | Number of households with access to free basic sanitation | No. of Households | UMDM | UMDM | UMDM | UMDM | UMDM | N/A | N/A | N/A | N/A |
| Access To basic (or higher) Electricity | | 5 | Number of Households with access to basic (or higher) levels of electricity | No. of Households | 22110 | 13485 | 8625 | ESKOM | ESKOM | Insufficient funding & insufficient capacity | More engagements with the DOE and ESKOM funding allocation | None | uMshwathi Municipality's Turn Around Strategy document |
| Access to Free Basic Electricity | Basic Service Delivery and Infrastructure Development | 6 | Number of households with access to free basic electricity | No. of Households | 6000 | 2000 | 6000 | 3000 | 2000 | Community members not registering | Councillors to assist in getting qualifying community members to register | None | uMshwathi Municipality's Turn Around Strategy document |
| Access to Basic (or higher) Refuse Removal and Solid Waste disposal | | 7 | Number of Households with access to basic (or higher) refuse removal | No. of Households | 22110 | 3800 | 18310 | All Areas | Limited | Insufficient funding provision in O&M budget | Allocate more budget for operations | Request allocation of subsidy from other gov departments | uMshwathi Municipality's Turn Around Strategy document |
| Access to municipal roads | | 8 | Kilometers of new municipal roads constructed | Kilometers | N/A | N/A | N/A | 11.5 | 11.5 | Insufficient funding | Increase MIG funding | More funding allocation | Tender documentation |
| Access to municipal roads | | 8 (a) | Kilometers of municipal roads maintained | Kilometers | N/A | N/A | N/A | 12 | 12 | Insufficient budget allocated for O&M budget | Allocate more budget for maintenance | Request allocation of subsidy from other government agencies | Tender documentation |
| Human Settlements | | 9 | No. of new houses constructed | No. of Households | 2500 | 2500 | 6000 | 0 | 0 | Delays in land acquisition | Resolve land ownership problems | CoGTA's speedy engagement with relevant Sector depts | uMshwathi Municipality's Turn Around Strategy document |
| Formalization of informal settlements | | 10 | No. of households in informal settlements provided with water | No. of Households | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 11 | No. of households in informal settlements provided with Sanitation | No. of Households | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 12 | No. of households in informal settlements provided with Electricity | No. of Households | ESKOM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Disaster Management | | 13 | Number of disasters prevented, mitigated and preparedness | No. of Disasters prevented | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 14 | | No. of Disasters mitigated | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 15 | | % Preparedness | UMDM | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Repairs and maintenance | | 16 | Service delivery interruptions per type of service (time per quarter) and no. of households affected | No. of interruptions | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 17 | | No. of Households | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | | 18 | Quarterly collection ratio on billings | % Collection rate (Total receipts for services/ Total billings for services) | N/A | N/A | N/A | 90 | 75 | The culture of non-payment | Applied stricter debt collection measures | Assistance from CoGTA in resolving the issue of Govt Dept's debt | Financo reports |

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
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NAME OF MUNICIPALITY: uMshwaubi Municipality

FINANCIAL YEAR ENDED: 30 JUNE 2010

| Priority Area | National KPA | No. | Indicators | Unit of Measure/Calculation | Annual Demand | Annual Baseline | Annual Backlog | Annual Target | Annual Progress Achieved | Blockages | Corrective Measures | Support needed in terms of unblocking | Source of Information |
|------------------------|--|-----|--|--|------------------|--------------------|-------------------|------------------|-----------------------------|---|---|---|-----------------------|
| Revenue Management | | 19 | Percentage growth in revenue collected by the municipality as a % of projected revenue target | % Growth in revenue collected (Actual revenue collected for this quarter/ Targeted revenue collection for this quarter) - (Actual revenue collected previous quarter/ Targeted revenue collected previous quarter) x 100% | N/A | N/A | N/A | 100 | 100 | N/A | N/A | N/A | Finance reports |
| | | 20 | % of budgeted revenue for property rates collected (Implementation of the Municipal Property Rates Act, 2004 (Act no. 8 of 2004) | % Property rates collection (Total property rates received for the quarter/ Total property rates budgeted for the quarter) x 100 | N/A | N/A | N/A | 100 | 80 | Incorrect date of rate payers, culture of non payment | Update debtors' database | Assistance from CoGTA in resolving the issue of Govt Depts debt | Finance reports |
| | | 21 | Grants as a % of revenue received | % Achieved (Total grants received/ Total revenue received) x 100 | N/A | N/A | N/A | 86 | 60 | None | N/A | None | Finance reports |
| | | 22 | R debtors outstanding as a % of revenue received for services | % Achieved (Total outstanding debtors/ Actual revenue received for services) x 100 | N/A | N/A | N/A | 98 | 110 | N/A | N/A | None | Finance reports |
| | | 23 | % of debt over 90 days | % of debtors > 90 days (Total outstanding debtors > 90 days/ Total outstanding debtors) x 100 | N/A | N/A | N/A | 10 | 40 | Culture of non-payment | Enforce strict debt collection procedures | Assistance from CoGTA in resolving the issue of Govt Depts debt | Finance reports |
| Debt Management | Financial Viability and Financial Management | 24 | Debtors collected as a % of money owed to the municipality | % Debtors collections (Actual revenue received for services/ Total outstanding debtors) x 100 | N/A | N/A | N/A | 100 | 75 | Culture of non-payment | Enforce strict debt collection procedures | Assistance from CoGTA in resolving the issue of Govt Depts debt | Finance reports |
| | | 25 | Debt coverage | Ratio (Total operating revenue received) - (operating grants received)/ debt service payments due, including interest and capital | N/A | N/A | N/A | 05:01 | 05:01 | N/A | N/A | N/A | N/A |
| | | 26 | Cost coverage | Ratio (all available cash at a particular time) + (investments)/ Monthly fixed operating expenditure | N/A | N/A | N/A | 1.1 | 1.1 | N/A | N/A | N/A | N/A |
| Expenditure Management | | 27 | Quarterly operational expenditure as a % of planned expenditure | % Achieved (Actual operational expenditure for this quarter/ Budgeted operational expenditure for this quarter) x 100 | | | | 100 | 104 | | | | |
| | | 28 | Quarterly capital expenditure as a % of planned capital expenditure | % Achieved (Actual capital expenditure for this quarter/ Budgeted capital expenditure for this quarter) x 100 | | | | 100 | 53 | | | | |
| | | 29 | % of operational budget spent on repairs and maintenance (Is this for the quarter or year to date?) | % Achieved (Total repairs and maintenance expenditure/ Total operational budget) x 100 | | | | 5 | 7 | | | | |
| | | 30 | Quarterly repairs and maintenance expenditure | Rand value | | | | R2.3m | R3.4m | | | | |
| | | 31 | MIG expenditure as a % of annual allocation (Is this for the quarter or year to date?) | % Achieved (Actual MIG expenditure for the quarter/ Annual allocation) x 100 | | | | 100 | 100 | | | | |

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

NAME OF MUNICIPALITY: uMshwabi Municipality

FINANCIAL YEAR ENDED: 30 JUNE 2010

| Priority Area | National KPA | No. | Indicators | Unit of Measure/Calculation | Demanded | Annual Baseline | Actual | Target | Annual Progress Achieved | Blockages | Corrective Measures | Support needed in terms of unbudgeting | Source of Information |
|---------------------------------|--|-----|---|---|----------|-----------------|--------|--------|--------------------------|-----------|---------------------|--|----------------------------|
| Unqualified audit | | 32 | % of a municipality's capital budget actually spent on capital projects (its projects / Total capital budget) x 100 | % Spent (Total spending on capital projects / Total capital budget) x 100 | | | | 100 | 53 | | | | |
| | | 33 | Annual Audit Opinion (2nd quarter only) | Qualified | | | | | Unqualified | | | | |
| | | 34 | | Unqualified: Unqualified | | | | | | | | | |
| | | 35 | | Disclaimers | | | | | | | | | |
| | | 36 | | Yes/No: Yes | | | | | Yes | | | | |
| | | 37 | Timeliness adoption of IDP | Date adopted: 28/05/09 | | | | | 28/05/2009 | | | | |
| | | 38 | Timeliness adoption of Budget | Date adopted: 28/05/09 | | | | | Yes | | | | |
| Integrated Development Planning | Municipal Transformation and Institutional Development | 39 | Timeliness adoption of SDBIP | Date adopted: 28/05/09 | | | | | 28/05/2009 | | | | |
| | | 40 | Timeliness adoption of SDBIP | Date adopted: 28/05/09 | | | | | Yes | | | | |
| | | 41 | Reliable and credible IDP | Yes/No: Yes | | | | | Yes | | | | |
| | | 42 | Timeliness submission of Annual Financial Statements | Date submitted: 14-Jul-10 | | | | | 14-Jul-10 | | | | |
| | | 43 | Timeliness submission of Annual Financial Statements | Yes/No: Yes | | | | | Yes | | | | |
| | | 44 | Timeliness submission of Annual Report | Date submitted: 31/03/2010 | | | | | 31/03/2010 | | | | |
| | | 45 | Timeliness submission of Annual Report | Yes/No: Yes | | | | | Yes | | | | |
| Administration | Municipal Transformation and Institutional Development | 46 | Updated and credible Asset Register | Date submitted: 31/07/2011 | | | | | 31/07/2011 | | | | |
| | | 47 | Updated and credible Asset Register | Yes/No: Yes | | | | | Yes | | | | |
| | | 48 | Functional OIRMS | Yes/No: Yes | | | | | Yes | | | | |
| | | 49 | Updated and credible Indigent Register | Yes/No: Yes | | | | | Yes | | | | |
| | | 50 | Financial controls applied to ensure usage is monitored/ limited to Indigent Policy | Yes/No: Yes | | | | | Yes | | | | |
| | | 51 | Functional Supply Chain Management System | Yes/No: Yes | | | | | Yes | | | | |
| | | 52 | Anti-corruption strategy implemented by target date | Yes/No: Yes | | | | | No | | | | |
| Reduced Corruption | Financial Viability and Financial Management | 53 | Anti-corruption strategy implemented by target date | Date implemented | | | | | N/A | | | | |
| | | 54 | Percentage of critical posts filled | % of critical posts filled/ Total number of critical posts on the organization x 100 | N/A | 40 | 60 | 100 | 80 | None | None | None | Corporate Services Reports |
| | | 55 | Percentage of critical posts with signed performance agreements | % of signed performance agreements (Total number of signed performance agreements for critical posts/ Total number of critical posts on the organization) x 100 | N/A | 40 | 60 | 100 | 80 | None | None | None | Corporate Services Reports |
| | | 56 | Acceptable level of functionality of Local Labour Forum | Yes/No: Yes | | | | | Yes | | | | |
| | | 57 | Budget Spent on Workplace Skills Plan | % Spent (Actual amount spent on WSP/ Budgeted amount for WSP) x 100 | | | | 4 | 4 | | | | |
| | | 58 | Number of people from employment equity target groups employed in the three highest levels of management | No. - Municipal Manager No. - S57 Managers No. - S56 Managers | | | | N/A | N/A | | | | |
| | | 59 | Number of suspensions in the three highest levels of management | No. - Municipal Manager No. - S57 Managers No. - S56 Managers | | | | 1 | 1 | | | | |
| Labour Relations | Municipal Transformation and Institutional Development | 60 | Number of suspensions in the three highest levels of management | No. - Municipal Manager No. - S57 Managers No. - S56 Managers | | | | 0 | 0 | | | | |
| | | 61 | % of functional Ward Committees in terms of the new model | % Achieved (Number of functional Ward Committees/ Total Number of Ward Committees) x 100 | | | | 100 | 100 | | | | |
| | | 62 | Number of Ward Committee management meetings held and percentage attendance by members | No. of meetings | | | | 4 | 3 | | | | |
| | | 63 | | % attendance achieved | | | | 100 | 70 | | | | |
| | | 64 | | | | | | | | | | | |
| | | 65 | | | | | | | | | | | |
| | | 66 | | | | | | | | | | | |
| Public Participation | Good Governance, Community Participation and Ward Committees Systems | 67 | | | | | | | | | | | |
| | | 68 | | | | | | | | | | | |
| | | 69 | | | | | | | | | | | |
| | | 70 | | | | | | | | | | | |
| | | 71 | | | | | | | | | | | |
| | | 72 | | | | | | | | | | | |
| | | 73 | | | | | | | | | | | |

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

FINANCIAL YEAR ENDED 30 JUNE 2010

NAME OF MUNICIPALITY: uMshwathi Municipality

| Priority Area | National KPA | No. | Indicators | Unit of Measure/Calculation | Demand | Annual Baseline | Backlog | Target | Annual Progress Achieved | Blockages | Corrective Measures | Support needed in terms of unblocking | Source of Information |
|---|----------------------------|-----|--|-----------------------------|--------|-----------------|---------|--------|--------------------------|-----------|---------------------|---------------------------------------|-----------------------|
| Enabling environment for growth and development | Local Economic Development | 69 | Number of community meetings held | No. of meetings | | | | 4 | 4 | | | | |
| | | 69 | No. of jobs created through Capital Works Plan | No. of jobs | N/A | N/A | N/A | 120 | 151 | N/A | N/A | N/A | Project files |
| | | 70 | Number of Wards per municipality implementing the Capital Works Plan | No. of Wards | N/A | N/A | N/A | 11 | 9 | N/A | N/A | N/A | Project files |
| | | 71 | Number of Co-operatives established and still functional in Wards where CWP is implemented | No. of Co-operatives | | | | 0 | 0 | | | | |
| | | 72 | LED Strategy adopted | Yes/No | | | | | Yes | | | | |
| | | 73 | LED Strategy and plans are aligned with RDS | Date adopted | | | | | 28/05/2009 | | | | |
| | | 74 | Jobs created through the Municipality LED activities | Yes/No | | | | | Yes | | | | |
| | | 75 | | No. of jobs | | | | 40 | 0 | | | | |

INDICATORS:

REGULATED

Municipal Turnaround Strategy

NAME OF OFFICIAL:

SIGNATURE OF OFFICIAL:

DESIGNATION OF OFFICIAL:

DATE:

Chapter 5

Functional Services Delivery Report

This chapter deals with how each of the municipality's departments has performed in service delivery in their respective key performance areas which were set out the during 2008/09 financial year.

The municipality Key Performance Areas (KPA's) Are as follows:

- Basic Services Delivery
- Municipal Institutional Development And Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

During the reporting period the Municipality budgeted an amount R36,9 million for capital expenditure and R55,3 million for operational expenditure towards fulfilment of its service delivery responsibility. The total amount spent was R68,6 million (Capital R19,3 million and Operational R49,3 million) The performance achievements as measured against these objectives are detailed hereunder

Department: Office of the Municipal Manager

The Municipal Manager is responsible for corporate Strategy and the drafting, management and implementation of Council's resolutions including the implementation of Integrated Development Plan (IDP). The Office of the Municipal Manager also strives to maintain and enhance the relationship between the political and administrative structures of the Council and promotes good governance and innovations in the areas of communication, strategic planning, information and knowledge management.

Located in the office of the municipal manager, are the following functions:

FUNCTION 1: INTEGRATED DEVELOPMENT PLAN (IDP) AND PERFORMANCE MANAGEMENT SYSTEM (PMS)

The IDP/PMS unit is primarily responsible for driving the IDP process, which in essence entails the strategic planning for the municipality's development agenda in accordance with its powers and functions.

The Situational Analysis section of uMshwathi Municipality's 2009/2010 IDP indicates that the economy of uMshwathi is mainly sugarcane farming and timber plantations, with beef and poultry farming as the other major sectors.

Also shown is that the municipality has a serious backlog of water and sanitation, road infrastructure, housing and electrification.

Other socio-economic challenges of the municipality include a high rate of unemployment, a high rate of poverty and a high rate of illiteracy and skills shortage.

As a result of these socio-economic challenges, the municipality is always under constant pressure from the local community for the delivery of these services.

Although some of the projects are the competency of the District Municipality and various government departments, uMshwathi Municipality often finds itself in a precarious position of having to intervene when the District and departmental programs fail to meet the pressing needs of the local community.

During the 2009/10 financial year, the IDP review process started with the preparation and adoption of the IDP Process Plan, followed by consultation of communities through Public Participation meetings in each of uMshwathi Municipality's eleven wards. Ward Development Needs section of the IDP document serves as the primary input into the IDP/Budget processes. The schedule of IDP Ward Consultative meetings was as follows:

UMSHWATHI MUNICIPALITY'S 2009/2010 IDP REVIEW –
PUBLIC PARTICIPATION MEETINGS

| WARD | DATE | TIME | VENUE | Ward Councillor |
|------|------------------|-------|------------------------------|-------------------|
| 1 | 22 February 2009 | 10h00 | Albert Falls Primary School | Cllr MP Dlamini |
| 2 | 01 March 2009 | 10h00 | New Hanover Community Hall | Cllr NP Nene |
| 3 | 16 February 2009 | 10h00 | INadi Community Hall | Cllr BE Mbatha |
| 3 | 16 February 2009 | 14h00 | Mt Elias Community Hall | Cllr BE Mbatha |
| 4 | 03 March 2009 | 10h00 | KwaNtanzi Community Hall | Cllr GS Maseko |
| 5 | 05 March 2009 | 10h00 | Mathulini Community Hall | Cllr XF Maphumulo |
| 6 | 19 February 2009 | 10h00 | Mabheleni Hall | Cllr AT Thusi |
| 7 | 27 February 2009 | 11h00 | Cool Air Community Hall | Cllr R Mungroo |
| 8 | 07 March 2009 | 08h00 | Trust Feed Community Hall | Cllr MJ Mkhize |
| 8 | 07 March 2009 | 13h00 | Mpolweni Community Hall | Cllr MJ Mkhize |
| 9 | 24 February 2009 | 10h00 | Mambedwini Hall | Cllr M Goba |
| 10 | 02 March 2009 | 10h00 | Mbava/Tholeni Community Hall | Cllr MM Nkala |
| 11 | 12 February 2009 | 10h00 | Oqaqeni Community Hall | Cllr BM Gwala |

Subsequent to the adoption of the draft IDP document at the 29th March 2009, the community was afforded another opportunity to make inputs into the final IDP through written and verbal comments at the respective wards public participation meetings. Thereafter, the final IDP was adopted by Council on the 28th May 2009.

The Performance Management System was realigned to the municipal IDP. The PMS policy framework was revised and adopted by Council in August 2009. This function entails the development and upholding of a Performance Management System in accordance with the revised policy framework. The implementation and roll-out of the uMshwathi Municipality's Performance Management System was realized during the 2009/2010 financial year as most of the top management positions had been filled and performance contracts signed.

During the year under review (2009/2010) four of the five Section 57 positions had been filled – these being the Municipal Manager (Mr MV Cebekhulu), the General Manager Technical Services (Mr A Weymouth), the Chief Financial Officer (Mr R Mani), and the General Manager Community Services (Mr M Zondi).

A report putting forward proposed arrangements for the annual evaluation of Section 57 employees in compliance with Regulation 27 (4) (d) and (e) of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager, 2006 – was adopted by Council.

The abovementioned Regulations stipulate that the annual assessment of Section 57 employees must be conducted by separate Evaluation Panels for Municipal Managers and General Managers. The composition of these Panels as per Council resolution would be as follows:

| Municipal Managers (MM) | General Managers (GMs) |
|--|--|
| a) Mayor | a) Municipal Manager |
| b) Chair of the Performance Audit Committee or Audit Committee | b) Chair of the Performance Audit Committee or Audit Committee |
| c) Member of EXCO | c) Member of EXCO |
| d) Mayor and / or MM of another Municipality | d) MM of another Municipality |
| e) Member of a Ward Committee nominated by the Mayor | |

The evaluation process, together with an indicative rating scale is set out in the Section 57 Managers' Performance Agreements as well as the approved Performance Management Policy. The possible amounts (in percentages) to be paid in performance bonuses resulting from the evaluation process are dealt with in Part B, paragraph 4 of the Section 57 Managers' Performance Agreements.

FUNCTION 2: ECONOMIC GROWTH AND DEVELOPMENT

The municipality has a mandate to support local economic development, to support local SMME'S and Cooperatives, to promote tourism, to empower women and the youth, to

promote job creation; as well as the alleviation of poverty amongst the residents of uMshwathi.

The Economic Growth and Development Unit is responsible for the delivery on this mandate. During this financial year, the unit had only one staff member viz. the Economic Growth and Development Manager.

The highlights for the 2009/10 financial year include the following:

Tourism Promotion

Over the years, the municipality has been promoting the local tourism by supporting the publication of four tourism brochures viz. KwaZulu-Natal Business, KwaZulu-Natal South Africa, Ambles and Wie Was Wo (distributed in Germany). However, for the 2009/10 financial year, Council decided to focus the financial support to The Amble magazine. This magazine has a particular focus on uMshwathi tourism businesses.

The Municipality has begun working closely with the local tourism outlets. Before the end of the financial year, the municipality hosted an information-sharing session with students from Sweden that were accommodated at a local guest farm in Appelsbosch.

Similar sessions are planned to take place every time there are foreign guests at the farm. Plans are afoot to form an LED Forum which will bring the established tourism operators, the bead makers, crafters and dancers closer and thus make cooperation easier.

Support to Local Small and Medium Enterprises & Cooperatives

The development and sustainability of small businesses contributes to economic development of an area. The municipality therefore provides support to SMMEs and cooperatives in ways ranging from capacity building to the provision of information and advice.

During this financial year, the municipality organized a workshop for the local emerging contractors. The purpose of the workshop was to assist the participants with information and tactics that would improve their chances of success, particularly on landing government

and municipal tenders. Forty five people attended the workshop. The feedback was that they learnt a lot from the workshop; and it also gave them an opportunity to network with each other and share their experiences.

The workshop gave the municipality a better understanding of the challenges facing the emerging contractors and SMMEs in general. This information puts the municipality in better stead to plan appropriate interventions for the emerging contractors and the SMMEs in general.

In order to coordinate efforts aimed at assisting the SMMEs and business in general, the Economic Growth and Development unit is planning to facilitate the formation of the local LED Forum. The local SMMEs will be represented in the forum. This will ensure that the interests of the SMMEs are taken into consideration in all planning efforts of the municipality.

Skills Development

Examples of the contribution of the municipality to the capacity building and skills development in uMshwathi include the basic carpentry training for 15 members of the local youth. The project is collaboration between the municipality and the uMgungundlovu FET College (uFET College). The participants form part of a pool of youth from which 22 delegates will be selected for training on furniture making in Vietnam.

The training in Vietnam is planned to take place in February 2011. In terms of the MOU signed by the municipality and a Vietnamese company (TTFC), the training will be provided by TTFC free-of-charge. The municipality is responsible for the recruitment, travel and subsistence of the delegates.

Towards the end of the financial year under review, the municipality recruited about 165 local youth for the Basic Computing Learnership sponsored by the Isett Seta. The group is made up of youth from all the eleven wards of the municipality.

The computer Learnership will improve the chances of employment and access to business opportunities for the participants. This in turn will have a positive impact on the general socio-economic lives of the people of uMshwathi.

Investment promotion

As reported in the 2008/09 Annual Report, the municipality has been working on various projects involving Vietnamese Companies. In June 2010, a delegation comprising of representatives of the municipality, TIKZN and local investors met the representatives of two Vietnamese Companies in Vietnam.

The purpose of the visit was to rekindle the interest of the Vietnamese Companies on projects including the establishment of a furniture factory and a fibre cement roofing tiles factory in uMshwathi.

The municipality signed an MOU with Truong Thanh Furniture Company (TTFC). The MOU details the cooperation on the establishment of the furniture factory, the furniture making skills transfer to the local youth and the establishment of a showroom for the Vietnamese products in South Africa.

The municipality is currently working with the TIKZN, and DTI to assist the local investors in taking the process forward to realize the aspirations of Council viz. the creation of job and business opportunities for the people of uMshwathi.

The Environmental Management Framework Project that is funded by the Municipality is not finalized yet. The completion of this project will have a positive impact on investment because it will fast track the development applications in the new node that Council is promoting at the intersection of R33 and R614.

FUNCTION 3: TOWN AND REGIONAL PLANNING

In accordance with new legislation (KwaZulu Natal Planning & Development Act No. 6 of 2008), all municipalities within the Province must consult the opinion/ recommendation of a Registered Town & Regional Planner, when making decisions on development matters.

The uMshwathi Municipality has in its employ, such a Planner who is registered with the South African Council for Planners (SACPLAN) in terms of the Planning Profession Act No. 36 of 2002.

The activities of the Municipality's Town Planning section are aimed at providing the people of uMshwathi with the greatest possible opportunities and choices with respect to living, working, shopping, education and entertainment opportunities whilst:

- o achieving a balance between meeting people's needs and the capacity of uMshwathi's physical and economic resources;
- o being responsive to the differing values, perceptions and desires of the residents;
- o promoting the attainment of visual beauty, environmental quality and a sense of place; and
- o conserving the natural environment.

Within this context, the Municipality's Town Planning Section endeavours to encourage development that is appropriate and compliant with the Integrated Development Plan and Spatial Development Framework as well as complying with all legislative planning and development application procedures. Of key importance in assessing all applications, are the principles of sustainability, feasibility and long-term benefit to the people of uMshwathi. From minor subdivisions or changes in land use, to rezoning and large-scale developments, the Town Planning Section provides the necessary guidance and support to all uMshwathi inhabitants, developers and investors.

The financial year 2009/ 2010 has brought numerous applications varying in terms of type, nature and scale to the Town Planning Section. The following table provides an overview:-

| CATEGORY | APPLICATIONS OUTSTANDING 1 JULY 2009 | NUMBER OF APPLICATIONS RECEIVED 2009/10 | TOTAL VALUE OF APPLICATIONS RECEIVED (MARKET- RELATED RANDS) | APPLICATIONS OUTSTANDING 30 JUNE 2010 |
|------------------------------------|--|--|--|--|
| RESIDENTIAL ESTATE DEVELOPMENTS | 1 | 4 | ± R 500 000 000 | 0 |
| SCHEME REZONING | 2 | 2 | ± R20 000 000 | 0 |
| INDUSTRIAL DEVELOPMENTS | Nil | 1 | ±R 100 000 000 | 1 (due to applicant's personal request to postpone the deliberations) |

| | | | | |
|--|---|----|---------------|---------------------------------|
| TOURISM FACILITIES/ VENUES | 2 | 4 | ±R10 000 000 | 1 Not finalized to date |
| SUBDIVISION OF LAND PARCELS | 5 | 10 | ± R 100 000 | 2 (More Recent applications) |
| COMMERCIAL DEVELOPMENTS | 0 | 2 | ± R 2 000 000 | 0 |
| TRIBAL AUTHORITY LAND DEVELOPMENTS (eg. Permission to Occupy) | 3 | 7 | ± R 1 000 000 | 0 |

The KwaZulu Natal Planning & Development Act (No. 6 of 2008) had become fully effective also, during 2009/10, which inter alia, aims to alleviate much of the delays in the processing and decision-making regarding submitted applications. This is due to the fact that planning powers and functions are now delegated to municipalities; which removes the need for submission to Provincial Authorities for final decision on applications. While the new KZN-PDA provides a streamlined process, it does not suspend the need to satisfy the requirements of other applicable legislation on a particular development or land parcel. In essence, the respective procedures are determined by the nature and scale of the different types of proposals and all applications for development regardless of their individual processes require a detailed motivation in terms of, “need” and “desirability”, anticipated impacts on the amenity and environment surrounding the application site, submission of various plans (i.e. locality/ zoning/ land use/ surveyor general diagrams/ site development plans), and public participation mechanisms, etc.

During the 2009/ 2010 financial year as well, the Town Planning Section has commissioned the preparation of a cadastral database of all properties within its jurisdiction in order to track, monitor and provide a spatial development perspective of all existing and proposed developments. Further, the Town Planning Section has finalised the verification and updating of all four of its town planning schemes (i.e. Wartburg, New Hanover, Dalton and Cool Air) which have been mapped and available to the public.

Of importance particularly in light of the forthcoming 2011 local government elections, is the management of all matters pertaining to the new Ward Boundary Delimitations within the uMshwathi Municipality. During the period 2009/10, numerous reports on ward the boundary re-organisation were prepared and presented to Council, support rendered to Councillors and the general public, numerous public workshops/ presentations in the wards conducted and, mapping done in respect of all new ward boundary changes. The Town Planning Section further served as the link between the Municipality and the Municipal

Demarcation Board (MDB) and concise documents were prepared and submitted as required to the MDB whom after deliberations, approved the new demarcations for uMshwathi Municipality. This process has resulted in the uMshwathi Wards being increased from 11 to 13 and the number of Councillors from 22 to 26 as published in the KZN Provincial Gazette on 17 June 2010.

Similar to other sections which experience a few minor challenges from time to time, the Town Planning Section shifts priority to other areas of need within the municipality as and when required in order to meet key targets and deadlines. Further, the Town Planning Section is in the process of reorganizing itself to meet the requirements of the KZN-PDA.

Continuing into the 2010/11 financial year, the Town Planning Section aims to serve the local communities to the best of its ability and available resources in order that development and investment is continued within the uMshwathi Municipality.

FUNCTION 4: COUNCIL MATTERS

This function ensures that the Municipality adheres to the provisions of the Municipal Structures Act No. 117 of 1998 (Chapter 4, Part 4) which deals specifically with the establishment of Ward Committees as well as their associated powers and functions. One of the fundamental objectives here is the enhancement of public participation and democracy throughout all wards within the Municipality.

The current staffing capacity of this function includes a "Manager: Council Matters" as well as a "Councillor's Assistant". In addition to responsibilities mentioned above, the Council Matters function provides all administrative support to Councillors, support and assistance to ward committees as well as the community development workers (CDW's), the promotion of women representatives and diversity in the committees, etc.

The period 2009/10 has seen numerous ward committee meetings taking place as per regular schedules and the recommendations thereof feeding through the respective

Councillors to the Municipal Council. This has ensured a bottom-up flow of information in the Municipality to ensure better-informed and transparent decisions.

Also of key importance within the ambit of this function, is the regular monitoring and reporting on the implementation of Council resolutions.

FUNCTION 5: INTERNAL AUDIT

During the financial year 2009/10, Roshan Morar & Associates (accounting firm) were appointed to perform the internal audit function for the municipality. Some of the outputs included the preparation of feedback reports and presentation thereof, recommendations to management in response to comments from the Auditor General as well mechanisms for improvements.

Department: CORPORATE SERVICES

The purpose of the Department

The purpose of the department is to provide management leadership and sound administration of the institution.

Measurable Objectives of the Department

To ensure effective leadership, management and administrative support to business units of the institution. This is done through continuous refinement of corporate policies, structure, systems in compliance with legislation and best practice and championing Batho Pele principles and Service Delivery.

Sections that exist within the Corporate Services Department

- Human Resources
- Corporate Administration and Secretariat
- Compliance and Legal Services
- Information and Communications Technology (ICT)
- Records Management Services
- Fleet Management
- Security Services

Corporate Administration and Secretariat

The secretarial section provides secretarial support to various Committee/ Sub Committee meetings and Forums. This section ensures the following

- Meetings are taking place as scheduled.
- Co-ordination of logistical and procedural requirements of the meeting of that specific Committee
- Timely distribution of notices of meetings

- Timeous compilation and distribution of agendas.
- Recording the details of proceedings/ discussions of the meetings
- prepare minutes accurately
- Distribution of resolutions emanating from the meetings for relevant employees to action.
- Implementation of decisions taken during meetings.
- Safe keeping of all records pertaining to Council meetings.

Compliance and Legal Services

- The Corporate Services Department is responsible for the establishment and functionality of all core municipal policies and systems as required by law. and ensure adherence to same.
- The Department in conjunction with other departments drafts by laws and ensures that they are promulgated

Information and Communications Technology (ICT)

This section maximises the opportunities to communicate creatively and effectively through the use of new technology, so that there is easy access to information about the Municipality. It seeks to continuously

- Promote the Council and its services and to facilitate channels of communication.
- Find and exploit the opportunities presented by electronic communication,

Records Management Services

The registry section is normally referred to as the heart of the organization because it serves as a link between the organization, department and sections within the organization and the outside world. It is the section where the flow of information is managed.

The activities of the registry section are governed by the Archives Act of 1996 and Access to information Act of 2000.

The following are some of the activities that are carried out at the registry:

- Receipt and opening of post
- Sorting of post
- Making files available on request
- Tracing of files
- Dispatch of outgoing mail
- Safekeeping and protection of archives
- Maintaining the list of all important documents
- Photocopying
- Messaging (Messenger)

Fleet Section

This section performs administrative functions related to management of Council fleet. This includes the processing and updating of fleet records, attending to procedural requirements, conducting analysis and reporting on the performance of fleet with respect to fixed and variable costs against budgetary provisions.

Security Services

The Department is also responsible ensuring provision of security to all the municipality premises and for ensuring secure banking. This service is currently outsourced and

Organisational Development

Induction and Team building Programme

Employees partook in a Team Building induction session held at Sierra Ranch, Mooi – River which was aimed at encouraging them (all employees) to share the same vision of the municipality in order to ensure excellence in service delivery. The induction covered the following:

- Conditions of Service
- Sixty three (63) HR Policies and Procedures
- Team building

Youth Development

The Municipality is committed to promoting youth education and training through practical learning with a view to empowering all undergraduates, graduates and post graduates especially from designated groups to familiarise themselves with practical on the job experience in their respective career choices.

In this regard, five graduates in the financial field have been engaged as interns for a period of two years where they are afforded an opportunity to obtain the necessary practical and on the job training towards the qualification they have obtained. The interns are as follows:

| NO | NAME OF STAFF | DATE OF APPOINTMENT | DESIGNATION |
|----|---------------|---------------------|----------------|
| 1 | Dlamini K | 2009/06/26 | Finance Intern |
| 2 | Madlala TW | 2009/06/26 | Finance Intern |
| 3 | Ncane H | 2009/06/26 | Finance Intern |
| 4 | Mngwengwe LA | 2009/06/26 | Finance Intern |

There is also an engagement of in-service trainees which rotates undergraduates' youth on a quarterly basis.

Skills Development

- 85% of audited staff was trained and 70% of planned training programmes were facilitated.
- All training was provided by accredited services providers
- Many other interventions which are beneficial to the municipality not identified in the WSP and are regarded as training, occurred throughout the year.
- The Municipality also trained four traffic officers in a recognized institution. They all passed and have graduated as have qualified traffic officers. They are now part of the permanent staff complement of the municipality.

Employment Equity Plan

The Municipality accepts its responsibility in terms of the Act, thereby, has adopted the Employment Equity Plan commencing in the financial year (2009/10) and in line with the current Municipal needs.

The employment equity committee has also been appointed responsible for compliance in this regard and also to ensure sustainability of the Plan.

- Approved funding for stage one = R972 165.00
- Challenges: Land ownership. Land is perceived to be under Ingonyama Trust Board whereas it is a State land.
- Solutions: Negotiations with all affected parties are at an advanced stage

Trustfeed Housing Project

- Project Value = R77 680 000.00
- Number of units: 1000
- Status quo: Preliminary stage completed
- Challenges: Landowners want arrear rates on their properties to be written off before they could avail it to the municipality?

New Hanover and Cramond Slums Clearance

- Number of units = 3000
- Status quo: Tender has been awarded for preliminary stage.

Department: Finance Services

The Municipality prides itself for achieving an unqualified Audit Report for the financial year ending June 2009. The municipality is quite certain that through the dedication and loyalty of the officials in the Finance Department, this achievement will be repeated in the next few years.

The Council approved the following budget for the 2009/2010 financial year:

| | |
|---------------------|--------------------|
| Capital | 75 614 000 |
| Operational | 70 914 577 |
| Total Budget | 146 528 577 |

The Finance Department is responsible for ensuring that the municipality operates in accordance with the municipal finance regulations as prescribed in the MFMA and other related Treasury Guidelines that are issued periodically by National Treasury. During the report period the Department was lead by the Chief Financial Officer with a staff complement of 10 officials.

In order to ensure efficient and effective execution of responsibilities the department is divided into the following task oriented sections:

- Expenditure – responsible for sound administration of both creditors and payroll activities.
- Income – responsible for proper administration, billing consumers for rates and other municipal services and collection of debt.
- Budget – responsible for the preparation and management of a balanced,
IDP aligned budget
- SCM – responsible for all supply chain related activities as prescribed by the Municipality's SCM Policy

The highlights of the department's performance include the following:

- Appointment of the Chief Financial Officer

- o Meeting its financial obligations during a difficult year
- o The appointment of the 5th member of the Audit Committee
- o The timeous submission of the Annual Financial Statements to the Auditor General
- o Obtaining an unqualified audit report.
- o The timeous adoption of the budget for the 2010/2011

In order to respond to the national skills development strategy as prescribed by National Treasury, five local finance interns have been appointed within the department. The internship program is for a minimum period of two years. The interns have been registered for a two year MFMA training program through DBSA. At the end of the program the interns will be in a position to apply for posts, if any, within the municipality or other municipalities.

The total debt owing to the municipality for rates and services is R 34 574 730.00. Of this amount R 16 582 336.00 is owed by various government departments. The government debt has been reported the respective MEC's and provincial treasury. With the assistance of the Provincial Treasury we are sure to recover the amounts being owed by the various departments.

The water services function was taken over by the uMgungundlovu District Municipality as from 1 July 2009.

Financial Performance Summary

| 2009/2010 | Budget | Actual |
|-------------------------|-------------------|-------------------|
| Details | R | R |
| Salaries | 26,874,142 | 25,555,600 |
| General | 16,371,000 | 11,637,522 |
| Repairs and maintenance | 4,797,500 | 3,447,577 |
| Interest paid | 2,100,000 | 2,647,914 |
| Depreciation | 5,116,000 | 6,054,456 |
| Operational | 55,258,642 | 49,343,069 |
| Capital | 36,934,000 | 19,278,284 |
| Total | 92,192,642 | 68,621,353 |

| REPORT | PERFORMANCE AREA | BUDGET | EXPENSE | ACTIVITY |
|-----------------------|---|-----------|------------|--|
| Financial management | | | | |
| Operating expenditure | Oversight and strategic planning MFMA and other management SCM control Free basic services Maintenance of accounting records Accounting control Financial system Budgets and reviews Financial control and reporting Grant control and management Income and expenditure monitor Asset management and control Safekeeping and insurance asset Cash and investment manage Loans management and payment Payment of creditors Debt management Rate and tariff management Rebate and indigent support Salary and allowance control Implementation of policies & leg Audit and audit reports Annual financial statements | 8,904,740 | 10,238,305 | Financial planning Compliance Expenditure control Basic service delivery Financial structure Risk man/control Financial management Planning and monitor Management/info Management/control Risk management Risk management Risk management Financial management Financial management Service delivery Cash management Financial management Service delivery Financial management Compliance Risk management Financial/info and reports |

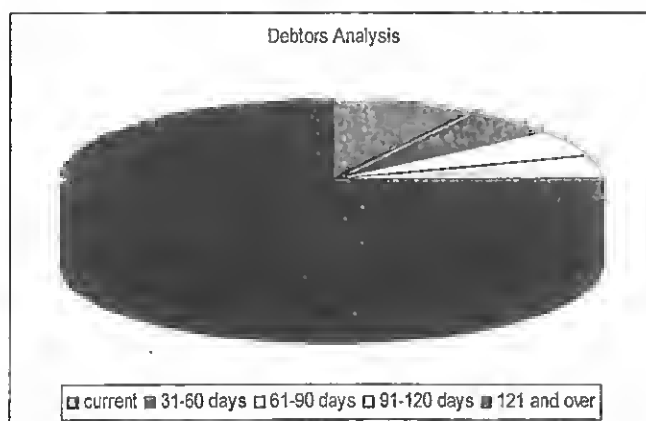
| | | | | |
|-----------------------------|--|------------|-----------|---|
| Infrastructure and services | | | | |
| Operating expenditure | Roads and Storm water | 9,460,078 | 7,458,861 | Maintained Roads |
| | Technical Administration Building Control Pavements and Sidewalks Bridges and Culverts Water and Sanitation Monitoring Vehicle Fleet Management Cleansing and Solid Waste Removal of Garden Refuse Grass Cutting Parks and Gardens Road Signs and Signage Building maintenance Capital works and constructions Bus and taxi ranks Public toilets and amenities | | | Orderly Development Pedestrian safety Access to all areas Public Health Maintenance and Ctrl Public Health Weed and Rodent Ctrl Healthy Environment Public Amenities Traffic control Healthy conditions Development of infra Public transport Public amenities |
| Capital expenditure | Construction of Roads | 8,873,000 | 4,995,828 | |
| Social development | | | | |
| Operating expenditure | Community development | 5,365,064 | 5,235,178 | Public investment |
| | Community liaison Clinics Libraries Community facilities Public amenities Public safety Traffic management Law enforcement Licencing and control Environmental health HIV aids awareness Disaster management Cemeteries and crematoria | | | Public participation Public health Public amenities Public amenities Access to facilities Safe environment Traffic management Traffic control Logistical support Clean healthy environ Awareness and prevention Disaster support Cemetery management |
| | Environmental management Housing and slum clearance | | | Clean healthy environ Housing development |
| Capital expenditure | Construction/upgrade of Community Halls | 16,300,000 | 7,337,066 | |
| Economic development | Investment promotion & market | 1,000,000 | 1,226,230 | Economic development |
| | Establishment of BEE & SMEE's Economic development Tourism and marketing Promotional communications Local economic support | | | Job creation Job creation Job creation Investment opportunity Sustainable Eco/dev |

| OBJECTIVE | PERFORMANCE AREA | BUDGET | EXPENSE | OUTPUT |
|---|--|------------|------------|--|
| Democracy and governance Operating expenditure | Oversight and strategic planning Organisation and planning Management and control Communication and reporting Council support and logistics Performance management Ward committee's Record keeping and management Political secretariat and support Community development Youth and women affairs Information technology & support Internal audit and control Good governance Fraud risk management Skills development and training IDP and review Audit committee Human resource management Labour relations Occupational health and safety Security general Telecommunications Property and estates Community halls Public amenities LUMS Planning and development Leave control Appeals and complaints | 22,673,706 | 23,586,346 | Planning and governance Planning and operations Risk management Info dissemination Organisation and control Measurement and ctrl Public participation Info control Political administration Public investment Developmental government Strategic support Risk management Compliance Risk management Skills development Planning and review Risk management Staff management Labour management Safe working environment Safe working environment Communications Maintenance of assets Public amenities Access to facilities Land management Planning and dev Human resource man Logistical support |
| Capital Expenditure | Furniture, Grass Cutting Equipment etc. | 100,000 | 1,274,040 | |

| OBJECTIVE | PERFORMANCE AREA | BUDGET | EXPENSE | OUTPUT |
|------------------------------|------------------|--------|---------|--------------------|
| Institutional transformation | | | | |
| Capital Expenditure | Office upgrade | | 569,442 | Administrative Hub |

ANALYSIS OF DEBTORS OUTSTANDING AS AT 30 JUNE 2010

| Debtor type | Current | 31-60 days | 61-90 days | 91-120 days | 121 and over | Total | Previous Year Total |
|----------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|------------------------|
| General rates | 1 432 443 | 882 460 | 821 393 | 791 200 | 13 041 601 | 16 969 097 | 12,700,111 |
| Refuse and other | 1 278 502 | 550 992 | 518 460 | 497 831 | 14 759 848 | 17 605 633 | 14,446,593 |
| Total debtors | 2 710 945 | 1 433 452 | 1 339 853 | 1 289 031 | 27 801 449 | 34 574 730 | 27,146,704 |
| % of total debt | 7.84% | 4.15% | 3.88% | 3.73% | 80.41% | 100% | 100% |



Analysis of Debtors per Category

Government Departments
Residential
Commercial
Agricultural
Vacant Residential

34 574 730

Comments:

1. A provision for doubtful debts of R 16 102 284 has been provided for in the financial statements.
2. Of the total debt of 34.6 million debt 13.4 million is owed by Government departments. The debt has been reported to the respective MEC's and we are awaiting a response from the National Treasury for the way forward.

Report of the Audit Committee

The Audit Committee reports that it adopted appropriate formal terms of reference as its Audit Committee charter however, it notes with regret, that it has not been able to regulate its affairs in compliance with this charter.

During the 2009/2010 financial year the Committee operated without the required number of members, there were four (4) members instead of five, consequently it was not always possible to have a quorum and thus the number of scheduled meetings was less than that prescribed by the Charter.

In its review of the internal controls, the Audit Committee found that while basic controls are present, attention needs to be given to the adequacy and the effectiveness of these controls. Further, the Audit Committee found that there were no significant or material non-compliance issues with prescribed policies and procedures.

The Audit Committee has evaluated the audited annual financial statements and the Auditor-General's management report and the management's response thereto. The Audit Committee concurs and accepts the Auditor-Generals conclusions on the annual financial statements. The Audit Committee congratulates the uMshwathi Municipality on its third consecutive unqualified audit.

Department: Technical Services

In terms of the functional organogram of uMshwathi Municipality, the Department of Technical Services is responsible for the following activities:

- Engineering Services
- Electricity
- Civils
- Building Control
- Solid Waste Management
- Environmental Management
- Maintenance
- Buildings and Structures
- Roads and Stormwater
- Parks, Verges and Amenities
- Cemeteries

The Department is under the control of the General Manager: Technical Services and the main office is located in Wartburg, with the principal depot at Dalton.

Provision is made, in terms of the Departmental organogram, for three distinct sections: Project Management, Building Control and Infrastructure Maintenance.

The largest section is that of Infrastructure Maintenance, and this section is organized on the basis of a geographical, rather than functional, structure: New Hanover / Wartburg, Dalton / Coolair and Albert Falls / Cramond. Only the first two are headed by Supervisors.

The total staff complement is as follows:

| | |
|-------------------------------------|---|
| General Manager: Technical Services | 1 |
| Manager: project Management Unit | 1 |

| | |
|----------------------|----|
| Admin Officer | 1 |
| Supervisor | 2 |
| Assistant Supervisor | 1 |
| Handyman | 1 |
| Driver | 1 |
| Tractor Driver | 3 |
| General Assistant | 57 |
| TOTAL | 68 |

Engineering Services, Civils and Projects

The provision of engineering services by the Technical Department *to the municipality* is achieved by the HoD and the Manager: PMU supported, as required from time to time, by specialist consultants retained for specific projects. These include electrical consultants, architects, quantity surveyors, civil engineers, geotechnologists, etc.

Electricity

Provision of electricity to consumers throughout the municipal area is carried out directly and exclusively by Eskom. The role of this Department is to maintain a watching brief upon the service provider and loosely monitor the quality and adequacy of service provision.

Intervention is occasionally made with regard to problems being experienced by consumers.

The operation and maintenance of the installed street lighting systems is carried out by Eskom in terms of contracts with uMshwathi Municipality under the control of this Department.

Building Control

The accountability for the function of building control is vested in the Department of Technical Services. The function is carried out in terms of the applicable legislation, known as the National Building Regulations and Building Standards Act 103 of 1977.

In the absence of a Building Control Officer (AKA Building Compliance Officer), the function is carried out by a service provider, Messrs EGM Services, under the control of the HoD. Administration of the function is performed by an Administrative Officer, whose services are shared with the Town Planner., who falls within the Municipal Manager's support structure.

Final approval of building plans is performed by the General Manager: Technical Services personally.

Solid Waste Management

The function of solid waste management falls into two activities, that of litter-picking and solid waste disposal.

Litter-picking is carried out within the municipal areas under the control of supervisors, i.e. New Hanover / Wartburg and Dalton / Coolair, by Departmental staff. The street litter is collected and bagged, and thereafter collected for disposal by the solid waste disposal contractor.

Difficulties are being experienced with control of street litter. This is primarily as a result of a lack of discipline on the part of certain business proprietors who, instead of retaining the refuse emanating from their businesses for collection on a weekly basis, are continually

placing such refuse in and around the street bins placed on the sidewalks and verges. This results in excessive volumes of refuse in the streets, with the consequent unsightly appearance of the towns.

Occasionally, e.g. on pension payout days or school sports functions, high volumes of public result in excessive littering, and difficulties are experienced with timeous collection of such street litter.

Solid waste disposal is carried out by a service provider, Messrs Uppegold Services, who is contracted to collect bagged refuse from 3 800 premises within the municipality on a weekly basis. These are residential and business sites within the urban areas only. No service is provided in rural areas.

There are no solid waste disposal sites located within the uMshwathi municipal area. The service provider hauls all waste to New England Road landfill site in Pietermaritzburg, where it is disposed of at the cost of this municipality.

The municipal by-laws provide for the prohibition of irregular disposal of waste. Despite this, substantial difficulty is frequently experienced with the necessity of clearing waste illegally dumped, by persons unknown, upon public areas.

Environmental Management

Environmental management is the control of vegetation upon municipal property – sidewalks, verges, parks, sports fields, cemeteries, etc.

The function is loosely divided into urban- and rural areas. The rural areas are controlled by the Assistant supervisor, whilst the urban areas are attended to departmentally under the control of the supervisors.

The exceptions to these are the areas of Albert Falls / Cramond, the New Hanover urban area and Thokozane, which are attended to by service providers, Messrs Rod Scallan, Silver Stars Services and Sinqobile Construction respectively.

| uMshwathi Municipality Development Initiatives: 2009-2010 | | | | | | |
|---|--|------------------------------------|------------------------|--|---|--|
| Ward | Development Project | Nature of Project | Year | Value | Impact/Outcome | Comments |
| 10 | Estezi Hall | Construction of community hall | 2009/2010 | 2,000,000.00 | Contractor found to be unsuitable. Project is being re-tendered | |
| | | | | 2,000,000.00 | | |
| 11 | Oqaqeni Hall Fencing Swayimane Hall Fencing | Fencing of hall Fencing of hall | 2009/2010 2009/2010 | 130,000.00 150,000.00 280,000.00 | Improve safety at halls Improve safety at halls | Project completed Project completed |
| Total Developmental Project Costs | | | | 68,681,000.00 | | |

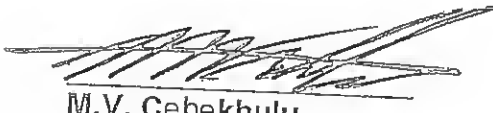
Chapter 6

ANNUAL FINANCIAL STATEMENTS

UMSHWATHI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M.V. Cebekhulu
MUNICIPAL MANAGER

31 August 2010
Date

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GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

| | | | |
|------------|-------------|---|--------------------------|
| Councillor | B.M. Gwala | : | Mayor, Exco. Chairperson |
| Councillor | S.S. Zondi | : | Deputy Mayor |
| Councillor | M.J. Mkhize | : | Exco Member |
| Councillor | T.I. Gabela | : | Exco Member |

GRADING OF LOCAL AUTHORITY

GRADE ONE (1)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

CHIEF FINANCIAL OFFICER


Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

| | | |
|---------------------|---|------------------------------|
| PR | : | Cllr. S.S. Zondi |
| PR | : | Cllr. E.W. Eggers |
| PR | : | Cllr. T.I. Gabela |
| PR | : | Cllr. V.I. Gumede |
| PR | : | Cllr. A.G. Solomon |
| PR | : | Cllr. T.A. Hlatswayo |
| PR | : | Cllr. T.P. Phakathi |
| PR | : | Cllr. S.C. Gabela |
| PR | : | Cllr. D.A. Ndlela |
| PR | : | Cllr. C.B. Khonney |
| PR | : | Cllr. V.M. Mncwabe |
| W1 | : | Cllr. M.P. Dlamini |
| W2 | : | Cllr. N.P. Nene |
| W3 | : | Cllr. B.E. Mbatha |
| W4 | : | Cllr. G.S. Maseko |
| W5 | : | Cllr. X.F. Maphumulo |
| W6 | : | Cllr. A.T. Thusi |
| W7 | : | Cllr. R. Mungroo |
| W8 | : | Cllr. M.J. Mkhize |
| W9 | : | Cllr. M. Goba |
| W10 | : | Cllr. M.M. Nkala |
| W11 | : | Cllr. B.M. Gwala |
| MAYOR | : | Councillor B.M. Gwala |
| DEPUTY MAYOR | : | Councillor S.S. Zondi |

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 31 August 2010 and presented to and approved by Council on 31 August 2010.



MUNICIPAL MANAGER
(Accounting Officer)
31 August 2010



CHIEF FINANCIAL OFFICER

31 August 2010

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

| | 2009/2010 | 2008/2009 |
|--------------------------------------|-------------------|-------------------|
| 1.1 Rate and General Services | | |
| Expenditure | | |
| Ordinary | 49,343,069 | 47,744,920 |
| Capital | 0 | 0 |
| | <u>49,343,069</u> | <u>47,744,920</u> |
| Income | | |
| Assessment Rates | 10,940,607 | 11,167,779 |
| Other | 58,062,006 | 46,544,361 |
| | <u>69,002,613</u> | <u>57,712,140</u> |
| Accumulated Surplus | | |
| Surplus/(Deficit) for year | 19,659,544 | 9,967,220 |
| Surplus brought forward | | |
| | <u>19,659,544</u> | <u>9,967,220</u> |

2 CAPITAL EXPENDITURE AND FINANCING

| | 2009/2010 | 2008/2009 |
|---|-------------------|-------------------|
| Expenditure | | |
| Rate and General Services | 19,278,284 | 14,176,378 |
| Water Services | 0 | 0 |
| Public Improvement Fund | 0 | 0 |
| Housing Services | 0 | 0 |
| | <u>19,278,284</u> | <u>14,176,378</u> |
| Financing | | |
| External Loans | 0 | 7,553,619 |
| Grants and Subsidies | 16,840,132 | 6,079,459 |
| Endowments | | |
| Revenue Contributions to Capital Outlay | 2,438,152 | 543,300 |
| | <u>19,278,284</u> | <u>14,176,378</u> |

3 REVENUE


Rates form 15.86% of the total Income of the municipality, the remainder of the Income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities income amounting to R 29 627 353.

Interest received on Investments and the current amounts is R 307 918 and interest on arrear accounts amounted to R 4 513 865.

4 EXPENDITURE

Employee costs amounts to R21.6 million and forms 44% of total expenditure of the municipality, while repairs and maintenance amounted to R3 447 577 and forms 7% of total expenditure.

Certain votes have been overspent and were as a result of unforeseen expenditure and certain elements of inadequate budget provision.


Accounting Officer

Date 31 August 2010

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

| | |
|---------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 5 | Borrowing Costs |
| GRAP 9 | Revenue |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Asset |

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year accept for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

| | YEAR | OTHER | YEARS |
|-----------------------|------|------------------------------------|-------|
| Infrastructure | | | |
| Roads and Paving | 30 | Buildings | 30 |
| Pedestrian Malls | 30 | Air Conditioners | 5 |
| Electricity | 20 | Other Vehicles | 5 |
| Housing | 30 | Office equipment | 5 |
| Street Lights | 25 | Furniture and Fitting | 10 |
| | | Radios | 5 |
| | | Robots | 10 |
| Community | | Other items of plant and equipment | 3 |
| Buildings | 30 | Computers and Computer Software | 5 |
| Security | 5 | | |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors. Arrear accounts are charged interest on the arrear balance on a monthly basis. Only 4% of the total debtors are services debtors, namely for refuse.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regards to their estimated economic or realizable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

12. REVENUE RECOGNITION

12.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

13. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

14 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

UMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

| | Note | 2010 R | 2009 R |
|--|------|--------------------|-------------------|
| ASSETS | | | |
| Non - current assets | | 84,140,270 | 70,902,733 |
| Property , plant and equipment | 10 | 83,644,557 | 70,356,360 |
| Intangible Assets | 11 | 160,922 | 225,291 |
| Long term receivables | 13 | 334,791 | 321,082 |
| Current assets | | 24,325,810 | 25,250,134 |
| Consumer debtors | 15 | 17,830,542 | 17,962,870 |
| Other debtors | 16 | 2,274,573 | 1,663,291 |
| Current portion of long term debtors | 13 | 111,597 | 107,027 |
| Value added tax | 8 | 209,269 | 240,970 |
| Call investment deposits | 17 | 3,177,377 | 5,163,002 |
| Bank balances and cash | 30 | 722,452 | 112,974 |
| Total Assets | | 108,466,080 | 96,152,867 |
| Non - current liabilities | | 25,865,810 | 22,701,271 |
| Long term liabilities | 2 | 25,865,810 | 22,701,271 |
| Current liabilities | | 12,605,546 | 14,580,673 |
| Creditors | 6 | 6,804,938 | 7,498,307 |
| Unspent conditional grants and receipts | 7 | 3,278,016 | 5,227,187 |
| Bank overdraft | 18 | 0 | 0 |
| Current portion of long term liabilities | 2 | 2,522,592 | 1,855,179 |
| Total Liabilities | | 38,471,355 | 37,281,944 |
| Net Assets | | 69,994,724 | 58,870,923 |
| NET ASSETS | | | |
| Net assets | | 69,994,724 | 58,870,923 |
| Housing Development Fund | 1 | 2,921,274 | 2,993,657 |
| Capital Revaluation Reserve | | 6,202,123 | 6,202,123 |
| Accumulated surplus | | 60,871,327 | 49,675,143 |
| | | 69,994,724 | 58,870,923 |

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

| BUDGET | | | ACTUAL | | |
|-------------------|-------------------|---|--------|-------------------|-------------------|
| 2009 | 2010 | REVENUE | Note | 2010 | 2009 |
| 11,979,663 | 10,828,796 | Property rates | 19 | 10,940,607 | 11,167,779 |
| 300,000 | 800,000 | Property rates - penalties imposed and collection charges | | 904,997 | 864,349 |
| 1,000,000 | 1,400,000 | Service charges | 20 | 1,403,434 | 1,345,547 |
| 300,000 | 200,000 | Rental of facilities and equipment | | 155,469 | 141,953 |
| 750,000 | 250,000 | Interest earned - external investments | | 307,918 | 560,761 |
| 1,750,000 | 3,250,000 | Interest earned - outstanding debtors | | 4,513,865 | 3,968,501 |
| 751,000 | 400,000 | Fines | | 183,213 | 186,183 |
| 2,375,000 | 1,500,000 | Income for agency services | | 1,744,592 | 1,614,029 |
| 26,938,000 | 36,459,000 | Government grants and subsidies | 21 | 31,731,643 | 29,477,800 |
| 1,260,000.00 | 171,000.00 | Other income | 22 | 276,742 | 355,187 |
| | | MIG Funding | | 16,840,132 | 8,030,051 |
| <u>47,403,663</u> | <u>55,258,796</u> | Total Revenue | | <u>69,002,612</u> | <u>57,712,140</u> |
| EXPENDITURE | | | | | |
| 18,321,088 | 22,661,542 | Employee related costs | 23 | 21,605,588 | 17,289,728 |
| 4,125,000 | 4,212,600 | Remuneration of Councillors | 24 | 3,950,012 | 3,660,057 |
| | | Bad debts | | | |
| | 150,000 | Collection costs | | 399,203 | 324,874 |
| | | Amortisation of Intangible Assets | | 64,369 | 64,369 |
| 1,250,000 | 5,116,000 | Depreciation | | 5,990,087 | 2,849,611 |
| 2,370,000 | 4,797,500 | Repairs and maintenance | | 3,447,577 | 1,564,619 |
| 2,500,000 | 2,100,000 | Interest paid | 25 | 2,647,914 | 2,335,911 |
| | 400,000 | Contracted services | | 253,888 | 1,244,547 |
| 18,787,500 | 15,771,000 | General expenses | 32.7 | 11,008,110 | 16,570,670 |
| | | Loss on disposal of property, plant and equipment | | 0 | 97,022 |
| 50,000 | 50,000 | Contribution to Reserves | | 0 | 139,708 |
| | | Feasibility Study | | 0 | 1,603,807 |
| <u>47,403,588</u> | <u>55,258,642</u> | Total Expenditure | | <u>49,366,746</u> | <u>47,744,921</u> |
| <u>75</u> | <u>154</u> | Surplus/(Deficit) for the year | | <u>19,635,865</u> | <u>9,967,220</u> |

Refer to Appendix E.1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

| 2010 | Pre-GRAP Reserves and Funds R | Non-distributable Reserves R | Housing Development Fund R | Capital Replacement Reserve R | Revaluation Reserve R | Accumulated Surplus R | Total R |
|---|--|------------------------------------|-------------------------------------|--|-----------------------------|-----------------------------|--------------|
| Balance at 30 June 2009 | - | - | 2,993,657 | 6,202,123 | - | 49,675,143 | 58,870,923 |
| Adjust financials to agree to main ledger | - | - | 2,993,657 | - | - | 49,675,143 | 58,870,923 |
| Implementation of GRAP | - | - | - | - | - | - | - |
| Surplus (deficit) for the year | - | - | 2,993,657 | 6,202,123 | - | 49,675,143 | 58,870,923 |
| Capital grants used to purchase PPE | - | - | (72,383) | - | - | 19,635,865 | 19,635,865 |
| Housing Development Fund transactions | - | - | - | - | - | (16,840,132) | (16,840,132) |
| Reversal of Water Transactions | - | - | - | - | - | 8,400,451 | 8,400,451 |
| | - | - | 2,921,274 | 6,202,123 | - | 60,871,327 | 69,994,724 |

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 R | 2009 R |
|--|------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 57,066,229 | 51,742,828 |
| Cash paid to suppliers and employees | | (40,728,745) | (41,202,699) |
| Cash generated from (utilised in) operations | 29 | 16,337,484 | 10,540,129 |
| Interest received | | 307,918 | 560,761 |
| Interest paid | | (2,647,914) | (2,335,911) |
| NET CASH FROM OPERATING ACTIVITIES | | <u>13,997,488</u> | <u>8,764,979</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (19,278,284) | (14,176,378) |
| Purchase of housing infrastructure | | - | 171,000 |
| Proceeds on disposal of property, plant and equipment | | | |
| (Increase) decrease in investment properties | | (18,279) | (38,621) |
| (Increase) decrease in non - current receivables | | | |
| (Increase) decrease in non - current investments | | 1,985,625 | (879,449) |
| (Increase) decrease in call investments | | | |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(17,310,938)</u> | <u>(14,923,448)</u> |
| CASH FLOWS FROM FROM FINANCING ACTIVITIES | | | |
| New loans raised (repaid)/Other Capital Receipts | | 4,041,154 | 8,204,948 |
| Increase (decrease) in consumer deposits | | (118,227) | (152,722) |
| Increase (decrease) in short term loans | | | |
| NET CASH FROM FINANCING ACTIVITIES | | <u>3,922,927</u> | <u>8,052,226</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>609,478</u> | <u>1,893,757</u> |
| Cash and cash equivalents at the beginning of the year | | 112,974 | (1,780,783) |
| Cash and cash equivalents at the end of the year | | <u>722,452</u> | <u>112,974</u> |
| | | <u>609,478</u> | <u>1,893,757</u> |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|---|-------------|-------------|
| 1 HOUSING DEVELOPMENT FUND | | |
| Housing Development Fund | | |
| Unappropriated Surplus | | |
| Loans extinguished by Government on 1 April 1998 | 2,921,274 | 2,993,657 |
| The Housing Development Fund is represented by the following assets and liabilities | | |
| Property, plant and equipment (see note 10) | 446,388 | 428,109 |
| Housing selling scheme loans (see note 13) | 1,260,562 | 955,618 |
| Housing rental and instalment debtors (see note 15) | 165,332 | 165,332 |
| Debtors - Department of Housing | 1,048,992 | 1,444,598 |
| Bank and cash | 2,921,274 | 2,993,657 |
| Sub - total | 2,921,274 | 2,993,657 |
| Creditors | | |
| Total Housing Development Fund Assets and Liabilities | 2,921,274 | 2,993,657 |
| 2 LONG TERM LIABILITIES | | |
| Capitalised lease liability | 423,646 | 521,526 |
| External loans | 27,964,756 | 24,034,924 |
| | 28,388,401 | 24,556,450 |
| Less current portion transferred to current liabilities | (2,522,592) | (1,855,179) |
| | 25,865,810 | 22,701,271 |
| 3 NON - CURRENT PROVISIONS | - | - |
| 4 CONSUMER DEPOSITS | - | - |
| 5 PROVISIONS | - | - |
| 6 CREDITORS | | |
| Trade creditors | 376,333 | 4,610,748 |
| Accrued interest - external loan | 1,296,628 | 429,891 |
| Staff leave | 850,619 | 881,730 |
| VAT provision | 95,575 | 603,982 |
| Payments in advance | - | 641,904 |
| Sundry loans | 70,128 | 70,128 |
| Retention payable | 103,898 | 103,898 |
| Housing | 1,892,937 | |
| Deposits other | 3,304 | 3,304 |
| Other creditors | 2,115,514 | 152,722 |
| | 8,804,938 | 7,498,307 |
| 7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| 7.1 Conditional grants from other spheres of government | 3,278,016 | 5,227,187 |
| Total conditional grants and receipts | 3,278,016 | 5,227,187 |
| MIG | 2,894,463 | 3,509,596 |
| District: Tourism | | |
| General Grant | 58,025 | 58,025 |
| MAP | - | 104,280 |
| Housing Plan | 66,901 | |
| DPLG | - | 236,638 |
| LED | | |
| FMG | - | 1,318,649 |
| MSIG | 258,627 | |
| | 3,278,016 | 5,227,188 |
| 8 VAT | | |
| VAT refundable | 209,269 | 240,970 |
| VAT is payable on the receipts basis | | |
| 9 SHORT TERM LOANS | - | - |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 | | | |
|--|--------------------|-----------------|-------------|---------|--------------|
| 10 PROPERTY, PLANT AND EQUIPMENT | | | | | |
| 30-Jun-2010 | | | | | |
| Reconciliation of carrying value | Land and Buildings | Infra-structure | Other | Housing | Total |
| Carrying value at 1 July 2009 | | | | | |
| Cost | 39,530,398 | 34,883,434 | 4,746,309 | | 79,160,141 |
| Revaluation | 5,563,446 | 600,029 | (665,622) | | 5,497,853 |
| Accumulated depreciation | | | | | |
| - Cost | (2,737,634) | (10,845,094) | (1,601,857) | - | (15,184,585) |
| - Revaluation | (1,241,195) | 1,884,833 | 239,313 | | 882,951 |
| | 41,115,015 | 26,523,202 | 2,718,143 | - | 70,356,360 |
| Acquisitions | 2,238,102 | 12,054,502 | | | 14,292,604 |
| Capital under construction | 1,174,143 | 3,811,536 | | | 4,985,680 |
| Revaluation: Cost | | | | | - |
| Revaluation: Depreciation | | | | | - |
| Depreciation | | | | | |
| - based on cost | (793,432) | (4,462,320) | (734,335) | - | (5,990,087) |
| - based on revaluation | | | | | |
| Carrying value of disposals | | | | | - |
| Cost/revaluation | | | | | - |
| Accumulated depreciation | | | | | - |
| Carrying value at 30 JUNE 2009 | | | | | |
| Cost | 42,942,644 | 50,749,472 | 4,746,309 | - | 98,438,425 |
| Revaluation | 5,563,446 | 600,029 | (665,622) | | 5,497,853 |
| Accumulated depreciation | | | | | |
| - Cost | (3,531,066) | (15,307,414) | (2,338,192) | - | (21,174,672) |
| - Revaluation | (1,241,195) | 1,884,833 | 239,313 | | 882,951 |
| | 43,733,829 | 37,926,920 | 1,983,809 | - | 83,644,557 |
| Reconciliation of carrying value | Land and Buildings | Infra-structure | Other | Housing | Total |
| Carrying value at 1 July 2009 | | | | | |
| Cost | 32,022,769 | 28,936,747 | 4,470,950 | | 65,430,466 |
| Revaluation | | | | | |
| Accumulated depreciation | | | | | |
| - Cost | (1,881,464) | (9,728,610) | (724,898) | | (12,334,972) |
| - Revaluation | | | | | |
| | 30,141,305 | 19,208,137 | 3,746,052 | - | 53,095,494 |
| Acquisitions | 3,149,428 | 1,183,901 | 722,062 | | 5,055,389 |
| Capital under construction | 4,358,203 | 4,762,786 | | | 9,120,989 |
| Revaluation: Cost | 5,563,446 | 600,029 | (844,303) | | 5,319,172 |
| Revaluation: Depreciation | (1,241,195) | 1,884,833 | 239,313 | | 882,951 |
| Depreciation | | | | | |
| - based on cost | (856,170) | (1,116,484) | (876,959) | | (2,849,613) |
| - based on revaluation | | | | | |
| Carrying value of disposals | | | | | |
| Cost/revaluation | | | (446,703) | | (446,703) |
| Accumulated depreciation | | | 178,681 | | 178,681 |
| Carrying value at 30 JUNE 2009 | | | | | |
| Cost | 39,530,398 | 34,883,434 | 4,746,309 | - | 79,160,141 |
| Revaluation | 5,563,446 | 600,029 | (665,622) | | 5,319,172 |
| Accumulated depreciation | | | | | |
| - Cost | (2,737,634) | (10,845,094) | (1,601,857) | - | (15,005,904) |
| - Revaluation | (1,241,195) | 1,884,833 | 239,313 | | 882,951 |
| | 41,115,015 | 26,523,202 | 2,718,143 | - | 70,356,360 |
| Refer to Appendix B for more detail on property, plant and equipment | | | | | |
| Assets Under Construction: | | | | | |
| Electrification | | | 3,609,503 | | 950,859 |
| D75 Road | | | - | | 1,209,768 |
| Mbeka Road | | | - | | 2,032,537 |
| D40 Road | | | - | | 290,550 |
| P423 Road | | | 202,034 | | 279,072 |
| Ndudwini Creche | | | - | | 40,623 |
| Ntulwa Creche | | | - | | 33,663 |
| Thusong Centre (MPCC) | | | - | | 88,664 |
| Gujini Creche | | | - | | 264,944 |
| Gobizembe Community Hall | | | - | | 1,108,366 |
| Gqunguma Community Hall | | | - | | 1,685,649 |
| Nkululeko Community Hall | | | - | | 132,522 |
| Estez Community Hall | | | 150,966 | | 1,005,772 |
| Sports Centre | | | 423,378 | | - |
| | | | 4,385,880 | | 9,120,989 |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 | |
|--|---------------|------------------------------|-------------|
| 11 INTANGIBLE ASSETS | | | |
| Software Licences and LAN Network | | | |
| Cost | 321,844 | 321,844 | |
| Amortisation | (160,922) | (96,553) | |
| | 160,922 | 225,291 | |
| The software and network is being amortised over 5 years being its useful life | | | |
| 12 INVESTMENTS | | | |
| Long term | | | |
| 13 LONG TERM RECEIVABLES | | | |
| Housing loans | 446,388 | 428,109 | |
| Less: Short term portion transferred to Sundry Debtors | (111,597) | (107,027) | |
| | 334,791 | 321,082 | |
| 14 INVENTORY | | | |
| 15 CONSUMER DEBTORS | | | |
| Balances at 30 June 2010 | Gross balance | Provision for doubtful debts | Net balance |
| Service debtors | 1,189,836 | 904,298 | 285,538 |
| Rates | 16,327,194 | - | 16,327,194 |
| Housing | 672,579 | - | 672,579 |
| Other | 15,743,217 | 15,197,988 | 545,231 |
| Total | 33,932,825 | 16,102,284 | 17,830,542 |
| Balances at 30 June 2009 | | | |
| Service debtors | 1,060,273 | 812,188 | 248,085 |
| Rates | 12,700,111 | - | 12,700,111 |
| Housing | 969,554 | - | 969,554 |
| Other | 12,416,766 | 8,371,646 | 4,045,120 |
| Total | 27,146,704 | 9,183,834 | 17,962,870 |
| Rates: Ageing | | | |
| Current (0 - 30 days) | | 1,432,443 | 1,311,470 |
| 31 - 60 days | | 882,460 | 884,754 |
| 61 to 90 days | | 821,393 | 819,806 |
| 91 - 120 days | | 791,200 | 768,093 |
| 121 days and over | | 13,041,601 | 8,915,988 |
| Total | | 16,969,097 | 12,700,111 |
| Refuse and other : Ageing | | | |
| Current (0 - 30 days) | | 1,278,502 | 1,030,040 |
| 31 - 60 days | | 550,992 | 676,049 |
| 61 to 90 days | | 518,460 | 670,197 |
| 91 - 120 days | | 497,831 | 538,209 |
| 121 days and over | | 14,759,848 | 11,532,098 |
| Total | | 17,605,631 | 14,446,593 |
| | | 34,574,729 | 27,146,704 |

An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. Interest is charged on individual debtor accounts once they go into arrears. The current provision is considered adequate since the bulk of the Rates debtors is made up of debt owing by Government departments.

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|------------------------------------|------------------|------------------|
| 16 OTHER DEBTORS | | |
| District Municipality | 220,204 | 220,204 |
| Thokazane housing | 1,438,745 | 1,738,745 |
| Councillors | 6,395 | 36,752 |
| Department of Housing | 165,332 | 165,332 |
| Accrued Interest | 90,689 | |
| Other | 353,210 | 149,226 |
| Total other debtors | 2,274,573 | 2,310,259 |
| less: Provision for doubtful debts | - | 648,968 |
| | <u>2,274,573</u> | <u>1,663,291</u> |

17 CALL INVESTMENT DEPOSITS

| | | |
|----------------|------------------|------------------|
| Other deposits | 3,177,377 | 5,163,002 |
| | <u>3,177,377</u> | <u>5,163,002</u> |

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

18 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

| | | |
|--|---------|-------------|
| Cash book balance at beginning of year (overdrawn) | 110,626 | (1,783,128) |
| Cash book balance at end of year | 720,106 | 110,626 |
| Bank statement balance at beginning of year | 127,910 | 361,459 |
| Bank statement balance at end of year | 717,820 | 127,910 |

19 PROPERTY RATES

Actual

| | | |
|-------------------------------|-------------------|-------------------|
| Agricultural | 3,390,099 | 4,166,891 |
| Residential | 2,701,466 | 2,163,395 |
| Commercial | 1,244,514 | 1,221,123 |
| Public service infrastructure | 2,977,441 | 3,151,130 |
| State | 627,087 | 465,240 |
| Other | | |
| Total assessment rates | <u>10,940,607</u> | <u>11,167,779</u> |

Valuations

| | | |
|-------------------------------|----------------------|----------------------|
| Agricultural | 1,815,124,000 | 1,815,124,000 |
| Residential | 264,634,000 | 264,634,000 |
| Commercial | 161,170,000 | 161,170,000 |
| Public service infrastructure | 425,861,000 | 425,861,000 |
| State | 44,007,000 | 44,007,000 |
| Other | 13,353,000 | 13,353,000 |
| Total property valuations | <u>2,724,149,000</u> | <u>2,724,149,000</u> |

The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|--|-------------------|-------------------|
| 20 SERVICE CHARGES | | |
| Refuse removal | 1,403,434 | 1,345,547 |
| Water, sewer and other charges | - | - |
| | <u>1,403,434</u> | <u>1,345,547</u> |
| 21 GOVERNMENT GRANTS AND SUBSIDIES | | |
| Equitable share | 29,627,353 | 24,779,644 |
| Clinic subsidy | 0 | 0 |
| Conditional grants utilised | 2,104,340 | 4,698,156 |
| | <u>31,731,693</u> | <u>29,477,800</u> |
| Refer Appendix F | | |
| 22 OTHER INCOME | <u>276,742</u> | <u>355,187</u> |
| Fees: Photocopies | 11,729 | 11,997 |
| Fees: Rates Clearance | 5,012 | 8,319 |
| Agency Fee (UMDM) | 0 | 173,150 |
| Interest: Current Account | 12,459 | 35,946 |
| Fees | 983 | 11,950 |
| Community Hall | 9,537 | 11,441 |
| Motor Licencing | 0 | 1,882 |
| Maintenance | 55,530 | 85,315 |
| Cemetery | 8,984 | 15,189 |
| Postal Service | 21,817 | |
| Sundry | 150,691 | |
| | <u>276,742</u> | <u>355,189</u> |
| 23 EMPLOYEE RELATED COSTS | | |
| Employee related costs - salaries and wages | 16,794,246 | 13,381,056 |
| Employee related costs - contributions to UIF, pension and medical costs | 3,280,573 | 2,295,055 |
| Travel, vehicle, accommodation, subsistence and other allowances | 973,379 | 920,727 |
| Housing benefits and allowances | 28,810 | 34,669 |
| Overtime payments | 251,317 | 426,229 |
| Performance bonus | | |
| Skills Levy/Protective Clothing/Bargaining Council | 277,264 | 231,992 |
| Sub-total | <u>21,605,588</u> | <u>17,289,728</u> |
| Less: Employee costs allocated to Property, Plant and Equipment | | |
| Less: Employee costs included in other expenses | | |
| Total employee related costs | <u>21,605,588</u> | <u>17,289,728</u> |
| There were no loans to employees. | | |
| Remuneration of the Municipal Manager | | |
| Annual remuneration | 550,718 | 491,411 |
| Bonus | | |
| Car allowance | 120,000 | 120,000 |
| Contributions to Medical and Pension Funds and UIF | 99,294 | 88,589 |
| | <u>770,013</u> | <u>700,000</u> |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|--|--------------------|--------------------|
| Remuneration of the Chief Financial Officer | | |
| Annual remuneration | 455,757 | 500,000 |
| Bonus | 13,620 | |
| Car allowance | 79,680 | |
| Contributions to Medical and Pension Funds | 943 | |
| | <u>550,000</u> | <u>500,000</u> |
| Remuneration of other managers | | |
| 30-Jun-2009 | | |
| | Corporate Services | Technical Services |
| Annual remuneration | 450,000 | 279,840 |
| Bonus | | |
| Car allowance | | 85,800 |
| Contributions to Medical and Pension Funds | | 84,360 |
| | <u>450,000</u> | <u>450,000</u> |
| 30-Jun-2010 | | |
| Annual remuneration | 495,000 | 331,334 |
| Bonus | | |
| Car allowance | | 85,797 |
| Contributions to Medical and Pension Funds | | 77,869 |
| | <u>495,000</u> | <u>495,000</u> |
| 24 REMUNERATION OF COUNCILLORS | | |
| Mayor | 572,109 | 534,681 |
| Deputy Mayor | 254,873 | 238,199 |
| Speaker | 254,873 | 238,199 |
| Executive committee members | 479,221 | 447,870 |
| Councillors | 2,388,937 | 2,201,108 |
| | <u>3,950,012</u> | <u>3,660,057</u> |
| In-kind benefits | | |
| The Mayor has use of a Council owned vehicle as well as an office for official duties | | |
| 25 INTEREST PAID | | |
| External loans | 2,647,914 | 2,335,911 |
| Finance leases | | |
| | <u>2,647,914</u> | <u>2,335,911</u> |
| 26 PRIOR PERIOD ERRORS | | |
| Restatement of Expenditure iro 2008/09 during 2010 | - | - |
| Depreciation | | (64,369) |
| Amortisation of Intangible Assets | | 64,369 |
| Restatement of Property, Plant and Equipment and Intangible Assets iro 2008/09 during 2010 | | (225,921) |
| Property Plant and Equipment | | 225,921 |
| 27 GRANTS AND SUBSIDIES PAID | | |
| There were no grants and subsidies paid by the municipality. | - | - |
| 28 GENERAL EXPENSES | | |
| There were no Extraordinary and/or unforeseen expenses | | |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|---|-------------------|-------------------|
| 29 CASH GENERATED BY OPERATIONS | | |
| Surplus (deficit) for the year | 19,635,865 | 9,967,220 |
| Deficit - Housing operating account | (72,383) | (24,002) |
| Adjustment for : | | |
| Prior year | | |
| Depreciation | 5,990,087 | 2,913,980 |
| Reversal of Waler Debtors | (5,484,835) | |
| Contributions to provisions- non-current | | |
| Contributions to provisions - current | | |
| Contributions to bad debt provision | | |
| Investment income | (307,918) | (560,761) |
| Interest paid | 2,647,914 | 2,335,911 |
| Operating deficit before working capital changes | 22,408,730 | 14,632,348 |
| (Increase) decrease in consumer debtors | (5,786,121) | (10,276,180) |
| (Increase) decrease in other debtors | (611,283) | 2,999,788 |
| (Increase) decrease in VAT debtor | 31,701 | 299,582 |
| Increase (decrease) in conditional grants and receipts | 1,949,171 | (109,992) |
| Increase (decrease) in creditors | (693,369) | 3,004,235 |
| (Increase) decrease in current portion of long term debtors | (4,570) | (9,653) |
| | <u>16,294,259</u> | <u>10,540,129</u> |

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

| | | |
|------------------------|----------------|----------------|
| Bank balances and cash | 2,346 | 2,345 |
| Cash on Hand | <u>720,106</u> | <u>110,629</u> |
| | <u>722,452</u> | <u>112,974</u> |

31 RELATED PARTY TRANSACTIONS

31.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover and catering 426,161

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32 32.1 Contributions to organised local government

| | | |
|--|---|--------|
| Opening balance | - | 82,502 |
| Council contributions | - | 82,502 |
| Amount paid - current year | - | |
| Amount paid - previous years | - | |
| Balance unpaid (Included in creditors) | - | - |

32.2 Audit fees

| | | |
|--|---------|---------|
| Opening balance | | |
| Current year audit fee | 566,067 | 737,728 |
| Amount paid current year | | |
| Amount paid - previous years | | |
| Balance unpaid (Included in creditors) | | - |

32.3 VAT

| | | |
|--|----------------|----------------|
| Opening balance | 240,973 | 1,826,984 |
| Current year output VAT | (989,879) | (1,861,689) |
| Current year Input VAT | 3,279,010 | 3,309,896 |
| Amount paid - current year | | |
| Amount refunded by SARS - current | (2,302,549) | (3,034,218) |
| Amount due by SARS - Included in debtors | <u>227,554</u> | <u>240,973</u> |

All VAT returns have been submitted by the due date.

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|--|------------|--|
| 32.4 PAYE and UIF | | |
| Opening balance | | |
| Current year payroll deductions and Council UIF contributions | 2,924,828 | 2,177,842 |
| Amount paid - current year | 2,924,828 | 2,177,842 |
| Amount paid - previous years | | |
| Balance unpaid (Included in creditors) | - | - |
| 32.5 Pension and medical aid deductions | | |
| Opening balance | | |
| Current year payroll deductions and Council contributions | 3,668,815 | 3,260,237 |
| Amount paid - current year | 3,668,815 | 3,260,237 |
| Amount paid - previous years | | |
| Balance unpaid (Included in creditors) | - | - |
| 32.6 Councillors arrear consumer accounts | | |
| No Councillors had arrear accounts outstanding for more than 90 days as at : | | |
| 30 June 2008 | Total | Outstanding less than 90 days Outstanding more than 90 days |
| | - | - |
| 30 June 2009 | Total | Outstanding less than 90 days Outstanding more than 90 days |
| | - | - |
| 32.7 General Expenses: Detail | | |
| Advertisements | 128,285.69 | 160,539.28 |
| Audit Fee: External | 566,066.85 | 737,727.72 |
| Bank Charges | 41,166.12 | 48,658.55 |
| Chemicals and Oil Dispersants | 1,707.80 | 269.08 |
| Communication: Budget Process | 900.00 | 621,959.56 |
| Conditional Grant Expenditure | - | - |
| Conferences & Seminars | 85,603.53 | 65,744.61 |
| Consulting Fees | - | 474,680.29 |
| Crime Prevention | 28,936.50 | - |
| Entertainment | 5,371.73 | 38,338.06 |
| Environmental Management Plan | - | - |
| FBS & FBE | 688,523.83 | 566,302.04 |
| Fuel and Lubricants | - | 11,911.13 |
| HIV/AIDS | - | 638,161.82 |
| Hospitality | 24,115.39 | 50,585.59 |
| Housing Plan | 13,064.02 | 124,239.64 |
| IDP Review | 99,222.78 | 201,971.64 |
| Information Technology | 495,810.06 | 521,513.07 |
| Institutional Plan | - | - |
| Insurance | 233,562.29 | 187,081.58 |
| Internal Audit | - | 152,100.00 |
| Land Use Management Systems | - | - |
| Law Enforcement | 38,357.92 | 42,011.73 |
| Leave Provision | - | - |
| LED Projects | 288,169.34 | 1,226,229.54 |
| Legal Expenses/Bylaws | 475,394.49 | 352,126.67 |
| Levy: Research | 1,317.00 | 9,940.43 |
| Licences | - | 171.00 |
| Lost Books | 879.11 | 130.53 |
| Machinery Costs | 20,305.24 | 18,001.55 |
| Materials | 114,539.92 | 175,911.36 |
| Medical Supplies | 30,915.06 | 22,403.37 |
| Office Equipment | 2,261.23 | 2,931.79 |
| Pauper Burials | 70,983.26 | 58,876.91 |
| Plant Hire | 18,972.10 | 35,673.43 |
| PMS Review | - | 105,870.82 |
| Postage & Stamps | 96,641.43 | 56,766.69 |
| Printing and Stationery | 423,099 | 343,778 |
| Project Hand Overs | - | 28,367 |
| Purchases: Electricity | 560,723 | 467,835 |
| Purchases: Water | 109 | 1,858 |
| Refreshments | 93,696 | 77,967 |
| Refuse Removal | 1,066,833 | 583,578 |
| Rental: Copiers | 516,909 | 405,268 |
| Road Signs | 1,683 | 15,799 |
| Sector Plans | - | - |
| Security | 1,291,829 | 1,432,673 |
| Small Scale Disasters | 14,896 | 19,496 |
| Social Empowerment | 148,526 | 123,922 |
| Spatial Development Framework | - | - |
| Special Projects | 4,000 | 1,033,707 |

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 | 2009 |
|----------------------------|-------------------|-------------------|
| Sports Promotion | 438,036 | 294,962 |
| Subscriptions | 10,397 | 118,041 |
| Subsistence and Travelling | 541,809 | 1,308,553 |
| Sundries | 10,371 | 15,679 |
| Telephones | 1,077,303 | 1,059,530 |
| Tools | 1,356 | 3,081 |
| Town Planning | 54,383 | 101,313 |
| Training | 16,573 | 387,241 |
| Transport/Vehicle Cost | 757,433 | 1,220,319 |
| Valuation Fees | 163,647 | 489,153 |
| Ward Committees | 101,755 | 250,554 |
| Water Quality Monitoring | 2,822 | - |
| Workmans Compensation | 14,473 | 10,645 |
| Youth Desk | 104,698 | 52,420 |
| | 10,984,432 | 16,570,670 |

33 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

| | | |
|---------------------------------------|-----------|------------|
| - approved and contracted for | | |
| Infrastructure | 4,000,000 | 4,261,073 |
| Land and buildings | | |
| Refuse disposal site | | |
| Taxi rank | | |
| Community | - | 725,712 |
| Vehicles and equipment | | |
| - approved but not yet contracted for | | |
| Infrastructure | 9,200,000 | 10,400,000 |
| Land and buildings | 1,580,000 | |
| Taxi rank | | |
| Refuse disposal site | | |
| Community | 9,450,000 | 5,981,336 |
| Vehicles and equipment | | |

| | | |
|--|-------------------|-------------------|
| | 24,230,000 | 21,368,121 |
| This expenditure will be financed from | | |
| - capital replacement reserve | 3,730,000 | 1,695,712 |
| - government grants | 20,500,000 | 4,261,073 |
| - external loans | - | 15,411,336 |
| | 24,230,000 | 21,368,121 |

34 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

| | | |
|-----------------------------|-----------|-----------|
| Current Year's Contribution | 3,668,815 | 3,260,237 |
|-----------------------------|-----------|-----------|

34.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 34.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 34.1.3. the fund was thus 104,3% funded
- 34.1.4. the fund did not hold an investment reserve.
- 34.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 34.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010

2009

34.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 34.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 34.2.3. the fund was thus 87,7% funded
- 34.2.4. the fund did not hold an investment reserve
- 34.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

35 CONTINGENT LIABILITIES

There are no contingent liabilities

36 IRREGULAR EXPENDITURE

The due SCM process was not followed in the appointment of the IT consultant. The consultant was initially appointed to assist in an emergency and his appointment to provide IT services on an on-going basis was motivated by the former chief financial officer.

- 498,415

Three quotations were not obtained for the following expenditure:

| | |
|---|--------|
| Transport: Hlongwane Taxis | 3,900 |
| Training: Endless Horizon | 2,734 |
| Accommodation: Protea Hotels | 2,730 |
| Entertainment: Mayibuye Ma Africa | 2,000 |
| Transport: S.S. Zondi | 8,500 |
| Entertainment: Faith Shares Music Reunion | 5,000 |
| Catering: Albert Falls Guest Lodge | 5,106 |
| | 29,970 |

Total

- 528,385

Note 37

Reconciliation of Actual and Budget Information

| Details | Original Budget | Adjustments (S 28) | Final Budget | Actual | Unauthorised Expenditure | Variance | Actual as % of Final Budget | Actual as % of Original Budget |
|-------------------------|-----------------|--------------------|---------------|---------------|--------------------------|---------------|-----------------------------|--------------------------------|
| Revenue | | | | | | | | |
| Property Rates | 11,078,796.00 | -250,000.00 | 10,828,796.00 | 10,940,607.00 | | 111,811.00 | 101.03% | 98.75% |
| Service Charges | 1,400,000.00 | | 1,400,000.00 | 1,403,434.00 | | 3,434.00 | 100.25% | 100.25% |
| Investment Revenue | 500,000.00 | -250,000.00 | 250,000.00 | 307,918.00 | | 57,918.00 | 123.17% | 61.58% |
| Grants: Operational | 35,084,000.00 | 1,375,000.00 | 36,459,000.00 | 31,731,643.00 | | -4,727,357.00 | 87.03% | 90.44% |
| Other Revenue | 7,254,500.00 | -933,500.00 | 6,321,000.00 | 7,778,878.00 | | 1,457,878.00 | 123.06% | 107.23% |
| | 55,317,296.00 | -58,500.00 | 55,258,796.00 | 52,162,480.00 | 0.00 | -3,096,316.00 | 5.35 | 4.58 |
| Expenditure | | | | | | | | |
| Employee Costs | 22,661,542.00 | | 22,661,542.00 | 21,605,588.00 | | -1,055,954.00 | 95.34% | 95.34% |
| Councillor Allowances | 4,212,600.00 | | 4,212,600.00 | 3,950,012.00 | | -262,588.00 | 93.77% | 93.77% |
| Depreciation | 1,750,000.00 | 3,366,000.00 | 5,116,000.00 | 6,064,456.00 | | 948,456.00 | 118.54% | 346.54% |
| Interest Paid | 1,500,000.00 | 600,000.00 | 2,100,000.00 | 2,647,914.00 | | 547,914.00 | 126.09% | 176.53% |
| Repairs and Maintenance | 6,356,000.00 | -1,558,500.00 | 4,797,500.00 | 3,447,577.00 | | -1,349,923.00 | 71.86% | 54.24% |
| Other Expenditure | 18,837,000.00 | -2,466,000.00 | 16,371,000.00 | 11,627,522.00 | | -4,743,478.00 | 71.03% | 61.73% |
| | 55,317,142.00 | -58,500.00 | 55,258,642.00 | 49,343,069.00 | 0.00 | -5,915,573.00 | 5.77 | 8.28 |

Surplus/Deficit 154.00 0.00 154.00 2,819,411.00 0.00 2,819,257.00

Capital Recognised 16,840,132.00 Budgeted Surplus 154.00

19,659,543.00

APPENDIX A
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

| EXTERNAL LOANS | Loan Number | Interest rate | Redeemable | Balance at 2009/06/30 | Received during the year | Redeemed or written off during the year | Balance at 2010/06/30 | Carrying value of property plant & equip. |
|-----------------------------|----------------|-------------------|------------|--------------------------|--------------------------------|--|--------------------------|--|
| | | | | R | R | R | R | R |
| ANNUITY LOAN | | | | | | | | |
| FIRST NATIONAL BANK | | Prime less 1,00 % | 2018/03/31 | 5,335,935 | 5,000,000 | 410,592 | 9,925,343 | |
| DEVELOPMENT BANK | | 9,4 % | | 18,698,989 | 0 | 659,577 | 18,039,413 | |
| TOTAL EXTERNAL LOANS | | | | 24,034,924 | 5,000,000 | 1,070,169 | 27,964,756 | 0 |

APPENDIX B
UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

| | Opening Balance | Additions | Cost/ Revaluation Under Construction | Disposals | Closing Balance | Opening Balance | Accumulated Depreciation Additions | Disposals | Closing Balance | Carrying Value | Budget Additions 2010 |
|------------------------------------|--------------------|-------------------|--|-----------|--------------------|--------------------|---------------------------------------|-----------|--------------------|-------------------|-----------------------------|
| Land and Buildings | | | | | | | | | | | |
| Land | 12,274,086 | 179,008 | | | 12,453,094 | 825,953 | | | 825,953 | 11,627,141 | 750,000 |
| Buildings | 32,898,630 | 2,059,094 | 1,174,143 | | 36,131,867 | 3,231,748 | 793,432 | | 4,025,180 | 32,106,688 | 3,420,000 |
| Dams and boreholes | 0 | | | | 0 | 0 | 0 | | 0 | 0 | 0 |
| | <u>45,172,716</u> | <u>2,238,102</u> | <u>1,174,143</u> | <u>0</u> | <u>48,584,962</u> | <u>4,057,701</u> | <u>793,432</u> | <u>0</u> | <u>4,851,133</u> | <u>43,733,829</u> | <u>4,170,000</u> |
| Infrastructure | | | | | | | | | | | |
| Water reticulation | 5,900 | 6,763 | 3,609,503 | | 3,622,166 | 0 | | | 0 | 3,622,166 | 8,814,000 |
| Sewer reticulation | 0 | | | | 0 | 0 | | | 0 | 0 | 0 |
| Construction works | 38,395,473 | 12,047,738 | 202,034 | | 50,645,245 | 11,878,171 | 4,462,320 | | 16,340,491 | 34,304,754 | 22,950,000 |
| | <u>38,401,373</u> | <u>12,054,502</u> | <u>3,811,536</u> | <u>0</u> | <u>54,267,411</u> | <u>11,878,171</u> | <u>4,462,320</u> | <u>0</u> | <u>16,340,491</u> | <u>37,926,920</u> | <u>31,764,000</u> |
| Other Assets | | | | | | | | | | | |
| Office and computer equipment | 456,809 | | | | 456,809 | 484,107 | 370,802 | | 854,909 | -398,100 | 750,000 |
| Furniture and fittings | 1,338,481 | | | | 1,338,481 | 498,317 | | | 498,317 | 840,164 | 0 |
| Tools | 71,889 | | | | 71,889 | 64,968 | | | 64,968 | 6,921 | 0 |
| Motor vehicles and major equipment | 3,296,223 | | | | 3,296,223 | 1,761,148 | 263,971 | | 2,025,119 | 1,271,104 | 0 |
| Machinery | 429,539 | | | | 429,539 | 229,276 | | | 229,276 | 200,263 | 250,000 |
| Air conditioners | 138,920 | | | | 138,920 | 76,198 | | | 76,198 | 62,722 | 0 |
| Other | 138,018 | | | | 138,018 | 37,722 | 99,562 | | 137,284 | 734 | 0 |
| | <u>5,869,879</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>5,869,879</u> | <u>3,151,736</u> | <u>734,335</u> | <u>0</u> | <u>3,886,071</u> | <u>1,983,808</u> | <u>1,000,000</u> |
| Total | <u>89,443,968</u> | <u>14,292,604</u> | <u>4,985,680</u> | <u>0</u> | <u>108,722,252</u> | <u>19,087,608</u> | <u>5,990,087</u> | <u>0</u> | <u>25,077,695</u> | <u>83,644,557</u> | <u>36,934,000</u> |

APPENDIX C

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

| | Opening Balance | Additions | Cost/ Revaluation Under Construction | Disposals | Closing Balance | Opening Balance | Accumulated Additions | Depreciation Disposals | Closing Balance | Carrying Value |
|-----------------------------|--------------------|-------------------|--|-----------|--------------------|--------------------|--------------------------|---------------------------|--------------------|-------------------|
| Executive and Council | 13,477,592 | 484,937 | | | 13,962,529 | 1,209,770 | | | 1,209,770 | 12,752,759 |
| Finance and Admin | 18,158,112 | | | | 18,158,112 | 3,912,376 | 370,802 | | 4,283,178 | 13,874,934 |
| Health | 72,820 | | | | 72,820 | 72,819 | | | 72,819 | 1 |
| Community & Social Services | 14,288,915 | 1,759,928 | 4,783,646 | | 20,832,490 | 2,406,807 | 795,686 | | 3,202,493 | 17,629,997 |
| Public Safety | 852,806 | | | | 852,806 | 455,777 | 71,263 | | 527,040 | 325,766 |
| Waste Management | 675,729 | | | | 675,729 | 82,806 | | | 82,806 | 592,923 |
| Road Transport | 40,776,246 | 12,047,738 | 202,034 | | 53,026,018 | 10,102,600 | 4,462,320 | | 14,564,920 | 38,461,098 |
| Water | 0 | | | | 0 | 0 | | | 0 | 0 |
| Other | 1,141,748 | | | | 1,141,748 | 844,653 | 290,015 | | 1,134,668 | 7,080 |
| | <u>89,443,968</u> | <u>14,292,604</u> | <u>4,985,680</u> | <u>0</u> | <u>108,722,252</u> | <u>19,087,608</u> | <u>5,990,087</u> | <u>0</u> | <u>25,077,695</u> | <u>83,644,557</u> |

APPENDIX D

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

| <u>2009</u> | <u>2009</u> | <u>2009</u> | | <u>2010</u> | <u>2010</u> | <u>2010</u> |
|-----------------------|----------------------------|----------------------------|-----------------------------------|-----------------------|----------------------------|----------------------------|
| Actual Income R | Actual Expenditure R | Surplus/ (Deficit) R | | Actual Income R | Actual Expenditure R | Surplus/ (Deficit) R |
| 46,422,505 | 32,291,782 | 14,130,723 | Executive and Council | 60,607,922 | 28,991,884 | 31,616,039 |
| 45,552 | 10,272,451 | (10,226,899) | Finance and Admin | 4,857,042 | 22,063,964 | (17,206,923) |
| | | - | Planning and Development | | | - |
| | 275,634 | (275,634) | Health | | 718,556 | (718,556) |
| 27,309 | 167,556 | (140,247) | Community & Social Services | 1,761,333 | 4,084,641 | (2,323,308) |
| | | - | Housing | | | - |
| 185,505 | 427,305 | (241,800) | Public Safety | 183,213 | 1,478,387 | (1,295,174) |
| | | - | Sport and Recreation | | | - |
| | | - | Environmental Protection | | | - |
| 1,345,547 | 597,944 | 747,603 | Waste Management | 1,403,434 | 2,025,602 | (622,167) |
| 8,097,906 | 1,991,600 | 6,106,306 | Road Transport | 16,897,442 | 6,711,487 | 10,185,955 |
| | | - | Water | | | - |
| 1,587,816 | 1,720,648 | (132,832) | Other | - | - | - |
| 0 | 0 | - | | | | |
| <u>57,712,140</u> | <u>47,744,920</u> | <u>9,967,220</u> | Sub - total | <u>85,710,386</u> | <u>66,074,521</u> | <u>19,635,866</u> |
| | | | Less : Inter departmental charges | | | |
| <u>57,712,140</u> | <u>47,744,920</u> | <u>9,967,220</u> | | <u>85,710,386</u> | <u>66,074,521</u> | <u>19,635,866</u> |

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX E (1)

| REVENUE | 2010 Actual R | 2010 Budget R | 2010 Variance R | 2010 Variance % | Explanation of significant variances |
|---|---------------------|---------------------|-----------------------|-----------------------|---|
| Property rates | 10,940,807 | 10,828,796 | 111,811 | 1 | |
| Property rates - penalties imposed and collection charges | 904,997 | 800,000 | 104,997 | 13 | This is mainly due to the increase in rates debtors |
| Service charges | 1,403,434 | 1,400,000 | 3,434 | 0 | |
| Rental of facilities and equipment | 155,469 | 200,000 | (44,531) | (22) | All properties were not rented out and the income from rentals was overbudgeted |
| Interest earned - external investments | 307,918 | 250,000 | 57,918 | 23 | This was due to the fluctuations in the interest rates. |
| Interest earned - outstanding debtors | 4,513,865 | 3,250,000 | 1,263,865 | 39 | The large increase is due to the increase in debtors. |
| Fines | 183,213 | 400,000 | (216,787) | (54) | This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines |
| Licences and permits | | | 0 | | |
| Income for agency services | 1,744,592 | 1,500,000 | 244,592 | 16 | The increase is mainly due to increased in take of learner licences |
| Government grants and subsidies | 31,731,843 | 36,459,000 | (4,727,357) | (13) | A portion of the equitable share was held back to re-imburse unspent grants |
| Other income | 276,742 | 171,000.00 | 105,742 | (82) | |
| MIG Funds | 16,840,132 | | - | | |
| Gain on disposal of property, plant and equipment | - | - | - | | |
| Total Revenue | 69,002,613 | 55,258,796 | (3,096,316) | (6) | |
| EXPENDITURE | | | | | |
| Employee related costs | 21,605,588 | 22,861,542 | (1,055,954) | (5) | All budgeted posts were not filled. |
| Remuneration of Councilors | 3,950,012 | 4,212,600 | (262,588) | (6) | The approved increase was lower than budgeted for. |
| Bad debts | | | - | | |
| Collection costs | 389,203 | 150,000 | 249,203 | 166 | The increase is due to stricter steps being taken to collect outstanding debt. |
| Amortisation of Intangible Assets | 64,369 | | | | |
| Depreciation | 5,990,087 | 5,116,000 | 874,087 | 17 | The budget for depreciation was under budgeted |
| Repairs and maintenance | 3,447,577 | 4,797,500 | (1,349,923) | (28) | Certain expenditure that was budgetd for was not carried out. |
| Interest paid | 2,647,914 | 2,100,000 | 547,914 | 26 | The budget for Interest and Redemption was under budgeted |
| Bulk purchases | | | - | | |
| Contracted services | 253,888 | 400,000 | (146,112) | (37) | Attempts were made to reduce the use of consultants. |
| Grants and subsidies paid | | | - | | |
| General expenses | 11,008,110 | 15,771,000 | (4,782,890) | (30) | Certain expenditure that was budgetd for were not incurred. |
| Contribution to Reserves | 0 | 50,000 | (50,000) | (100) | There was no need to increase the leave reserve. |
| Total Expenditure | 49,366,747 | 55,258,642 | (5,956,263) | (11) | |
| Surplus (Deficit) for the year | 19,635,866 | 154 | 2,859,948 | | |

APPENDIX E (2)

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

| | 2010 Actual R | 2010 Under Construction R | 2010 Total Additions R | 2010 Budget R | 2010 Variance R | 2010 Variance % | Explanation of significant variances |
|--------------------------------|---------------------|------------------------------------|---------------------------------|---------------------|-----------------------|-----------------------|---|
| Infrastructure | 6,763 | 3,609,503 | 3,616,266 | 8,814,000 | (5,197,734) | | Approved DoE Funding was only made available towards the latter part of the year. |
| Construction works | 12,047,738 | 202,034 | 12,249,772 | 22,950,000 | (10,700,228) | | (47) MIG Funding for certain projects for D 1017 was from the |
| Community Assets | 12,054,501 | 3,811,537 | 15,866,038 | 31,764,000 | (15,897,962) | | (50) District and the asset is that of the province thus not capitalised by the municipality. |
| Land | 179,008 | 0 | 179,008 | 750,000 | (570,992) | (5) | |
| Buildings | 2,059,094 | 1,174,143 | 3,233,237 | 3,420,000 | (186,763) | (18) | |
| Other Assets | 2,238,102 | 1,174,143 | 3,412,245 | 4,170,000 | (757,755) | | |
| Office and accounting machines | 0 | 0 | 0 | 750,000 | (750,000) | | Due to cash flow constraints computers were not replaced |
| Furniture and fittings | 0 | 0 | 0 | 0 | - | | |
| Radio's | 0 | 0 | 0 | 0 | - | | |
| Machinery | 0 | 0 | 0 | 250,000 | (250,000) | | Due to cash flow constraints certain machinery was not replaced. |
| Tools | 0 | 0 | 0 | 0 | - | | |
| Air conditioners | 0 | 0 | 0 | 0 | - | | |
| Vehicles | 0 | 0 | 0 | 0 | - | | |
| Other | 0 | 0 | 0 | 0 | - | | |
| | 0 | 0 | 0 | 1,000,000 | (1,000,000) | (100) | |
| Total | 14,292,603 | 4,985,680 | 19,278,283 | 36,934,000 | (17,655,717) | (48) | |

| APPENDIX F | | | | | | | | | | |
|------------------------------|------------------------|--|--------------------|-----------------------|--|---------------------------------|--------------------------|--|----------------------------------|---------------------------|
| Description | Name of organ of State | UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN | | | TERMS OF SECTION 123 OF MFMA, ACT 95 OF 2003 | | | Reason for delaying/ withholding funds | Compliance with grant conditions | Reason for non-compliance |
| | | Unspent balance at 1 July 2009 | Received 2009/2010 | Expenditure 2009/2010 | Transfer 2009/2010 | Unspent balance at 30 June 2010 | Grants delayed/ withheld | | | |
| | | R | R | R | R | R | R | | YES/NO | |
| MIG | | 3,509,696 | 17,555,000 | (16,840,122) | -1,330,000 | 2,894,463 | | | YES | |
| GRANTS - GENERAL | | 58,026 | | | | 58,026 | | | YES | |
| CMIP - ROADS | | 0 | | | | 0 | | | YES | |
| CMIP - CEMETERY | | 0 | | | | 0 | | | YES | |
| CMIP - OFFICES | | 0 | | | | 0 | | | YES | |
| BASIC SERVICES | | 0 | | | | 0 | | | YES | |
| TRANSITIONAL GRANT | | 0 | | | | 0 | | | YES | |
| CMIP - OFFICES | | 0 | | | | 0 | | | YES | |
| MSIG | | 0 | | | | 0 | | | YES | |
| DISTRICT COUNCIL | | 0 | | | | 0 | | | YES | |
| INDIGENT SUPPORT | | 0 | | | | 0 | | | YES | |
| MAP | | 104,280 | | (104,280) | | 0 | | | YES | |
| CCI | | 0 | | | | 0 | | | YES | |
| TOURISM | | 0 | | | | 0 | | | YES | |
| FMG | | 0 | | | | 0 | | | YES | |
| MSIG | | 0 | 500,000 | (241,373) | | 258,627 | | | YES | |
| HOUSING PLAN | | 0 | 78,301 | (11,400) | | 66,901 | | | YES | |
| DPLG | | 238,638 | 22,000 | (268,638) | | 0 | | | YES | |
| PROPERTY RATES | | 0 | | | | 0 | | | YES | |
| MFMA | | 0 | | | | 0 | | | YES | |
| INTER DEPARTMENTAL | | 0 | | | | 0 | | | YES | |
| CDW | | 0 | | | | 0 | | | YES | |
| PLANNING | | 0 | | | | 0 | | | YES | |
| REGIONAL COUNCIL - CRECHE | | 0 | | | | 0 | | | YES | |
| REGIONAL COUNCIL - CEMETERY | | 0 | | | | 0 | | | YES | |
| REGIONAL COUNCIL - TAXI RANK | | 0 | | | | 0 | | | YES | |
| LED | | 0 | | | | 0 | | | YES | |
| FINANCE MANAGEMENT | | 1,318,649 | 1,500,000 | (2,818,649) | | 0 | | | YES | |
| COMMUNITY PARTICIPATION | | 0 | | | | 0 | | | YES | |
| | | 5,227,188 | 19,655,301 | (20,274,472) | -1,330,000 | 3,278,017 | | | | |

Chapter 7

AUDITOR GENERAL'S REPORT

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL
PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE UMSHWATHI MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMshwathi Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMshwathi Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of corresponding figures

9. As disclosed in note 26 to the financial statements, the corresponding figures for the 30 June 2009 have been restated as a result of an error discovered during 2009/2010 in the financial statements of the uMshwathi Municipality at, and for the year ended 30 June 2009.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

11. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations: the MFMA, Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).

Predetermined objectives

13. Material findings on the report on predetermined objectives, as set out on pages xx to xx are reported below:

Non-compliance with regulatory and reporting requirements

Internal auditing of performance measurements

14. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by section 45 (a) of the MSA.

Functioning of performance audit committee

15. The audit committee functioning as the performance audit committee did not review the quarterly reports of internal audits as required by section 166(2) (a)(v) of the MFMA and section 14(4)(a) of the Municipal Planning and Performance Management Regulations,

2001, as the required reviews were not conducted by internal audit.

Lack of implementation of a performance management system

16. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Content of the integrated development plan

17. The integrated development plan of the uMshwathi Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001. However, the annual performance report submitted for audit included the performance indicators and targets.

Reliability of reported performance information

18. The following criteria were used to assess the reliability of the planned and reported performance:
- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
 - Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
 - Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit finding relates to the above criteria:

Reported targets not reliable as inadequate supporting source information was provided

19. For the reported targets relating to the objective, Basic service delivery and Municipal Transformation and Institutional Development, that are material by nature, the validity, accuracy and completeness of the target could not be established as relevant source documentation could not be provided for audit purposes:

Compliance with laws and regulations

Included below are findings related to material non-compliance with the acts as indicated:

Municipal Systems Act, No 32 of 2000 (MSA)

20. Contrary to the requirements of Section 57 (4) of the Municipal Systems Act, performance evaluations of senior managers were not conducted.

INTERNAL CONTROL

21. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

22. The matters reported below are limited to the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

◦ Leadership

23. The accounting officer does not exercise oversight responsibility over reporting on predetermined objectives and compliance with laws and regulations and internal control. Actions are not taken to address risks relating to the achievement of complete and accurate performance reporting. Control weaknesses are not analysed and appropriate follow-up actions are not taken that address risks relating to the achievement of performance reporting objectives.

◦ Financial and performance management

24. Systems are not appropriate to facilitate the preparation of quality performance reports. The financial statements were subject to material amendments resulting from the audit. Adequate supporting documentation relating to the audit on pre-determined objectives were not made available for audit purposes.

◦ Governance

25. Internal controls are not selected and developed to prevent, detect and correct material misstatements on reporting on predetermined objectives. Management does not assess the likelihood of risks in ensuring that planned and reported targets are supported by adequate documentation. A risk strategy/action plan was not determined to manage identified risks relating to predetermined objectives.

Auditor-General

Pietermaritzburg

30 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 8

WAY FORWARD

STRATEGY FOCUS

The strategic positioning of uMshwathi Municipality will be anchored on four core pillars to make the municipality and its people competitive and distinguishable from other municipalities of similar size. These pillars are a focus on:

- growing the local economy to create sustainable job opportunities, reduce poverty and increase the revenue base of the municipality;
- addressing service delivery backlogs, meeting basic needs of the people, and providing free basic services;
- improving educational attainment levels of the area and skills development of all people, especially the youth, women and other vulnerable groups; and
- forging strategic partnerships with the District Municipality and other stakeholders to realize the vision of the Municipality

